THE CHINA WEEKLY REVIEW

密勒氏評論報

A Weekly Newspaper Established In 1917

February 12, 1949

US POLICY BELLWETHER?

AN EDITORIAL

What Should The US Do In China?

An American Symposium

Shanghai On The Eve

Andrew Roth

Outlook For Rural Reconstruction

Roger Kent

CHINA'S UNTAPPED POWER

AN EDITORIAL

VOLUME 112 GY150 NUMBER 11

1870

BFG

B.F.Goodrich

固得力

袖領膠橡

Sole Distributors:

華商貿易

THE CHINA MERCANTILE CO., LTD.

97 Yuen Ming Yuen Road Tel. 13312

LETTERS From The People

Comments from readers on current topics are cordially invited: their opinions, however, do not necessarily represent the views of The China Weekly Review.

Dike Building

To The Editor:

Your editorial of January 22 on the subject of dike building programs in China, in which you called particular attention to the proposed Rural Reconstruction Commission financing of dike work in Hunan, has been read with considerable interest in South China.

Some months ago there appeared in the *Review* an article by Mr. Jack James on the subject of the Kwangtung Dike Repair Project which was sponsored by the China Relief Mission. Because of our experience with that project and because we also remember the unfortunate CNRRA and Provincial Government's experience with the Ma-An Dike in 1946, I would like to make the following comments for the record:

1) UNRRA-CNRRA did help with an allocation of rice for the Ma-An Dike of 1,200 tons for the repair of the old section, and for the construction of one new dike. In the 1947 flood which was a record flood for the past 30 years, the dike was breached because the repair had been designed poorly by the Provincial Government's engineers, and was not able to withstand the great pressure which the 1947 flood brought. In the 1947 flood emergency CNC$500,000,000 and 4,200 tons of rice (not 10,000 tons) were given for the relief of thousands of people who were driven from their homes in the flooded districts throughout the province.

2) During the CRM dike repair program the Ma-An Dike was one of the 21 dikes aided. After completion of repairs the dike area was flooded, but the flooding was not in any way connected with the dike repair. During the flood period, the lands of the farmers living outside of the dike protected area were threatened with flood, and in order to protect their lands the farmers unlawfully broke and rendered useless the Hop Shan Gate, with the result that a part of the low lying land inside the dike was flooded. As a matter of fact only one dike out of 21 aided by CRM program was breached. This was the Hing Ning Dike in the Swatow area where effective control of work progress and financing could not be done on account of unsettled political conditions in that area.

If you refer back to Mr. Jack James' article in your magazine on the Kwangtung Dike Repair Job, you will recall that very tight controls were exercised by CRM over daily work done on the 21 dikes. Not only did we have engineering inspectors on those dikes, but the work was done under close supervision by the local dike committees who were elected by the farmers in those dike areas. Moreover, the pay to the workers was made directly from CRM funds on the basis of the number of cubic meters of earth moved, and those figures were checked by our own inspectors.

I do not know what the Rural Reconstruction Commission plans to do in the way of supervisory controls over the Hunan project, but I do know that it is possible for ECA to assist in dike repair projects to the great advantage of

THE CHINA WEEKLY REVIEW

J. B. Powell
(Editor & Publisher, 1918-1947)

John W. Powell, *Editor & Publisher*
Fang Fu-an, *Financial Editor*
Sam J. Wilde, *Advertising Manager*

Assistant Editors
Mary Barrett
Yang Chen-fang
Rose Yardumian
Julian Schuman
Joan Faulkner

Contributing Editors
Lin Wo-chiang
Charles J. Canning
C. Y. W. Meng
Edward Rotherbough
Ben Y. Lee
Frank L. Tsao
Tseng Yu-hao
Shen Chien-tu
James L. Stewart
F. K. Chao, *Business Manager*

Correspondents

Jefferson Cath	—	*Canton*
Van Shih-ching	—	*Chengchow*
Tong Chun-cho	—	*Chengtu*
Chen Fu-sheng	—	*Foochow*
Mark M. Lu	—	*Nanking*
Galahad Wood	—	*Kunming*
Joseph I. C. Luan	—	*Shantung*
Lauw Thian-hok	—	*Batavia*
Harin Shah	—	*Bombay*
C. Y. Hsieh	—	*London*
Joseph P. Lyford	—	*New York*
Jacques Decaux	—	*Paris*
S. E. Shifrin	—	*Seattle*
Ngiam Tong Fatt	—	*Singapore*
Hugh Deane	—	*Tokyo*

Chen Pang-cheng, *Circulation Manager*

Index for February 12, 1949

Editorial Paragraphs

US Policy Bellwether? 261
It Looked Good On Paper 262
Discipline Of Troops Needed 262
China's Untapped Power 263

Special Articles

What Should The US Do In China? ..... *An American Symposium* 265
Shanghai On The Eve ..... *Andrew Roth* 268
The Japanese Elections ..... *Hugh Deane* 269
Outlook For ECA Rural Reconstruction Program ..... *Roger Kent* 270

Economic Section

The Week's Business 271

Departments

Letters From The People 255
25 Years Ago 264
News Of The Week 272
Chinese Magazine Roundup 274
US Magazine Roundup 275
What Chinese Papers Say 276
What US Papers Say 277
The Review's English Lesson LXX 288

Subscription Rates

	3 months
Shanghai and China Outports	GY 1,800
China Outports (Air Mail)	GY 2,200
Hongkong and Macao	GY 2,500
Hongkong and Macao (Air Mail)	GY 2,900

	6 months	*1 year*
U.S.A. and other Foreign Countries	US$5.00	US$9.00

Price per copy: GY150

STUDENT RATES

	3 months
Shanghai and China Outports	GY 1,450
China Outports (Air Mail)	GY 1,850

(All subscriptions must be authenticated by the individual student's school and must be sent directly to the offices of the *China Weekly Review.*)

All mail rates are subject to change in accordance with postal changes.

Cable Address: "Reviewing" Shanghai **Telephone: 14772**

PUBLISHED AT 160 CHUNG CHENG ROAD (EASTERN), SHANGHAI (O), CHINA, BY MILLARD PUBLISHING COMPANY, INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE, U.S.A. REGISTERED AT THE CHINESE POST OFFICE AS A NEWSPAPER FOR TRANSMISSION WITH SPECIAL MARKS PRIVILEGES IN CHINA.

Contents of previous issues of The China Weekly Review may be found in the "International Index of Periodicals," copies of which are on file in most standard libraries.

All editorials, text and other material in the weekly issues of the China Weekly Review are copyrighted under certificate of registration 警 No. 9953 issued by the Ministry of Interior. Registered with Ministry of Interior of the National Government of the Republic of China, under certificate for newspapers No. 京警滬 250.

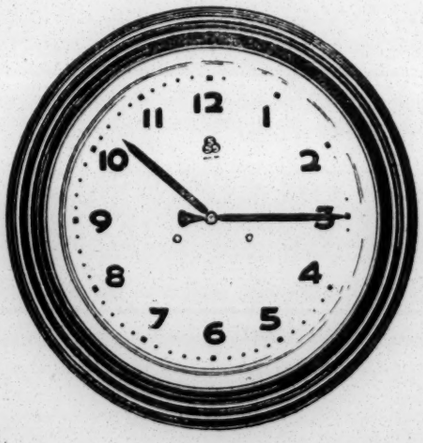
Shanghai's American Daily--more than "just a newspaper"

During these trying post-war days, the Shanghai Evening Post and Mercury has slipped into a peculiarly intimate place in the minds and hearts of readers. Perhaps that is because it tries in every way to be as human as your best friend. Read it for true straight news, most of it printed at least 15 hours ahead of other Shanghai papers; for outspoken views; for bright touches and entertainment features which will take your mind off your troubles. For the times, subscription rates are low:

REVISED
MONTHLY SUBSCRIPTION RATES
Effective February 1, 1949
(Subject To Increase)

Local home delivery	GY1000.00
Pick up your own paper	900.00
China Outports (Ordinary mail)	1010.00
China Outports (Air mail) . ..	GY1300.00 to GY1900.00
	(Based on various districts)
Single Copy	GY50.00

The Shanghai Evening Post & Mercury
19 Chung Cheng Road, Shanghai (13).



The "555" clock respects no position: it will work at any angle. No matter how the minute-hand is shifted, you will soon find it perfectly adjusted.

Manufacturers:

China Clock & Watch Works, Ltd.
980 ZIKAWEI ROAD, SHANGHAI TELEPHONE 70350

the farmers (who should, of course, share in the supervision and costs on a rotating fund basis), and I am also sure that projects in the rural areas, such as those involving dike repair and irrigation, will do a great deal to stabilize conditions in those areas.

You are right in saying that strict supervision and controls are extremely necessary, and I am sure that ECA will not approve any dike repair projects in South China unless the controls which you suggest are made effective.

H. T. SAMSON.
Regional Director, South China
ECA Office

Canton
February 2, 1949

JCRR Supervision

To The Editor:

Your January 22 number begins with an editorial on "US To Build Dikes," in the course of which the following appears, "JSARRC, it was said, will set up an office in Changsha. What this office will do we don't know, but we certainly hope that it will keep a close watch on the funds after they are turned over."

JCRR gladly accepts this opportunity of making known how the watch is kept.

The dike reconstruction work is handled in the field by 11 hsien offices under which there are 336 section offices. The funds are turned into rice either at the head office or at the hsien offices and the rice distributed to these section offices for payment to laborers. The JCRR representative in Changsha and his assistants follow up both the purchasing and distribution of this rice and also follow up any rumors of malfeasance or inefficiency. A representative of the comptroller's office in Canton checks the account both of purchase and of payment of rice for labor. Engineers appointed by JCRR inspect the work to see that it is in conformity with specifications and plans, all of which were approved in advance by the National Ministry of Water Conservancy.

In so many as 336 sections it would be remarkable in any country if there were not one or two officers of antiquated ideas of public service. In such a field of political jealousies it would be even more remarkable if there were not started many unfounded rumors of inefficiency and/or malfeasance. In a country where there is no efficient protection against libel, such rumors spread rapidly and are bound to come to the ears of the JCRR representatives in the province.

Terms of the JCRR loans are posted publicly on every section, as well as terms of employment of labor. Since the beneficiaries of the dike are required by the agreement to repay the rice loaned by JCRR there is active local supervision.

It is evident that the experience of your editorial writer "in American-financed aid program in Hunan Province" is confined to UNRRA-CNRRA experience. Sad as that experience appears to have been, very satisfactory results have attended efforts under other auspices. In 1922, the undersigned on behalf of the American Advisory Committee negotiated US$200,000 aid toward the building of the first considerable motor road in Hunan with the provision they have supervised maintenance during a period of five years. The result set a pattern for highway construction in Hunan such that, up to the beginning of the war with Japan, Hunan's highways were the best in China. Again in 1931 and 1932, following the disastrous Yangtze flood, the undersigned delivered to Hunan, on behalf of the National Flood Relief Commission, 50,000 tons of American wheat. The dikes were repaired on time according to specifications. In the

spring of that same year CNC$1,000,000 of National Flood Relief Commission funds were loaned to mutual guarantee societies, composed of Hunan farmers, for rehabilitation purposes. At the end of three years, the stipulated period, 99.1 percent of these loans had been repaid; a splendid record in any man's country as any banker will agree.

It seems only fair that this statement of facts should be given as much prominence in your valued journal as the strictures voiced in your editorial.

JOHN EARL BAKER.
Joint Commission on Rural Reconstruction

Canton
February 4, 1949

(The foregoing letters, written by two men with long residence and experience in China, should be of particular interest to all who read the editorial entitled "US To Build Dikes' appearing in the January 22 issue of the REVIEW. Mr. Sampson's letter points out one factual error in the editorial and also gives a full explanation of why the much-talked-about Ma-An Dike failed to stem the flood waters after its second reconstruction with American funds, a fact that reflects upon some of the farmers living in the area rather than upon the builders of the dike.

The letter from Dr. Baker explains in detail the methods to be used in supervising the new dike construction program currently getting under way in Hunan Province. Dr. Baker, one of the directors of the Joint Sino-American Rural Reconstruction Commission (JSARRC), points out that in the past several similar undertakings have been successfully carried out in different parts of China and, obviously, there is no reason why future ones cannot be equally successful.

The REVIEW welcomes letters such as the foregoing from readers whether they take issue with us or agree with us. Everyone, we believe, benefits from this type of discussion.—Editor.)

Snow On Tito

To The Editor:

I have only just read the article, "Will Tito's Heretics Halt Russia?" by Edgar Snow in the February 5 issue of the *Review* and have had no time to digest it thoroughly and consider all the implications of the matter. However, it is my opinion that perhaps Mr. Snow, who has been a long-time observer of events in this country and is credited with understanding China very well, is putting an interpretation upon the Tito-Stalin "split" which is not completely justified by the actual facts.

It is undoubtedly true that there must have been some "conflict in national interests" between Russia and Yugoslavia. Even with both states practicing socialism, there are differences in their economies which might lead to some conflict, but hardly to a split like in the present case. The differences must be more serious. According to some reports, Tito and his immediate supporters are outwardly espousing the cause of international communism and inaugurating some socialistic measures in the country's economic life, but secretly were making plans for setting up a Balkan empire, so that they could extend Yugoslav control, under the pretence of communist brotherhood, over their neighbors.

From what information is available, it seems likely that the split has a more basic cause than the simple development of a heresy within the "universal church."

But regardless of the reason, a serious difference must exist between Tito and the Russians. Obviously the West,

THE FAR EASTERN ENGINEER

"The leading Engineering Journal in China"

January

NOW ON SALE

Price per copy: GY75.00

Contents:

British Rayon Designing Centre
Progress of Australian Wool Production
Standardization In Aviation
France's Foremost Export
Automotive Milestones
Locomotive Manufacture
Civil Aviation
Textile Supplement
Transport Notes
The Students' Corner
Chinese Section
Exhibition News

Obtainable at:

Chinese-American Publishing Co. .. 160 Nanking Road, (E)
Kelly & Walsh Limited .. .. .. 66 Nanking Road, (E)

or directly from the Publishers

THE FAR EASTERN ENGINEER 117 Hongkong Road

CONNELL BROS. CO., LTD.

— *Established 1898* —

Importers & Exporters

149 Szechuen Road, Shanghai (O) Tels. 16833-2-1

Head Office: San Francisco

Branches:

New York Bombay Tientsin

Affiliated Companies:

CONNELL BROS. CO. (HONGKONG) LTD.
Hongkong and Saigon

CONNELL BROS. CO. (MALAYA) LTD.
Singapore and Penang

CONNELL BROS. CO. (PHILIPPINES)
Manila, Cebu and Iloilo

especially Britain and the US, will do everything they can to take advantage of this situation, by such means as applying pressure and offering inducements to widen the rift. Perhaps such efforts will be successful, maybe not. The West, however, should try to learn the true nature of the differences between Yugoslavia and Russia and should not be misled into thinking that any hoped-for internal explosion in Communism has occurred.

FOREIGN OBSERVER

Shanghai
February 6, 1949

Communist Heresy?

To The Editor:

Mr. Edgar Snow, whose article you printed last week, seems to have changed his views on world affairs. Formerly a firm supporter of the Chinese people in their revolution against feudalism and foreign imperialistic aggression, he now joins those reactionary remnants who plot war against the people of Russia and China....

When he says that the expansion of world communism is an extension of Russian nationalism, he shows that he no longer understands the true nature of the people's struggle against their oppressors. While the United States has actively aided China's bad government, Russia, a true friend of the Chinese people, has lent encouragement to them in their struggle by her moral leadership of the world's suffering masses. Because of diplomatic affairs, Russia has been unable to aid the Chinese people materially, but she has sympathized with them and in the near days ahead, when the people have won in China, the masses in both countries will rejoice. No one will be able to sow any seeds of dissention between the people of these two foremost leading people's republics.

Talk of a Communist heresy is not true. Tito is no longer a communist.... The Chinese people, after their long struggle for freedom—the longest of any people—will not forget the lessons learned in blood. If Mr. Snow thinks that the Chinese people, once they have overthrown the feudal, corrupt, and ultra-reactionary ruling classes and ousted the American imperialists from China's shores will forget the principles which have led them to victory, he is badly mistaken.

CHAPMAN LIEU

Shanghai
February 8, 1949

Grateful

To The Editor:

The letter from your circulation manager informing me that seven copies of the *Review* were being sent under separate cover has arrived, and I wish to thank you for the trouble you took in appealing for us needy students and also thank the person in Shanghai who contributed them.

I hope you will keep on appealing for other donations from other subscribers. My gratitude to my donor is without bounds.

WANG SHUN HWA.
First Municipal Middle School
Chungking
January 21, 1949

Disagrees With Judd

To The Editor:

Congressman Judd, in his letter to the editor in the January 29 *Review*, still has the nerve to remonstrate at the great mass of unfavorable opinion which his, Bullitt's and a few other war mongering, so-called Chinese experts' past actions have earned them at the expense of the American taxpayer. Not in the interests of trying to convince Mr. Judd that he is wrong, but in the interests of truth, I, as an American citizen with closer contacts and feelings for the Chinese people than those who have recently made closely guarded and luxuriously pampered flying trips to China, wish to remonstrate in turn that Mr. Judd *appears* to be just as ignorant of the real situation in China as most Americans back home.

Whether he blames the State Department or the ECA is immaterial, as actually the ECA is operating as a part of the State Department, but he is absolutely wrong in accusing either of stinting money for civilian or military aid in China wherever it could be shown to be needed. In fact, much more was actually given than was needed, if we are to judge by the amount of waste, sales to Communists and other illegal uses and corruption by National government officials.

For example, we of the Agricultural Machinery Projects (UNRRA endowed) in South China were greatly disappointed by the failure of the China Relief Mission and ECA-financed Ma-an dike

雅 新
SUN YA
Cantonese Restaurant
719 Nanking Road
Tel.: 90080

大通國際商業銀行
THE CHASE BANK
Affiliated With
THE CHASE NATIONAL BANK
OF THE CITY OF NEW YORK
Shanghai Office:
99 Nanking Road (O) Telephone 11440
Branches:
HONGKONG ◁▷ TIENTSIN ◁▷ PARIS

building and repair project at Hwaiyang —a failure due to the ignorance and corruption of the Nationalist Bureau of Reconstruction, which took over the work after the equally inefficient UNRRA project had failed in 1947.

Inefficiency and corruption in omitting a foundation core under the flood gates, not lack of funds, thus caused the loss of over 60,000 mow of crops, more than 7,000 of which had been plowed and prepared by tractors of our AMOMO project there. The result was that 6,000 farm families were left starving and many of them were homeless as well. This failure was a hard blow to Mr. Samson, administrator of ECA in Canton, who is an old hand in China and had even followed a plan of paying for work done at the end of the month when measurements were taken of the work done. Even now the ECA is financing a dike building project in Hunan, but knowing the local government of Hunan as I do, having worked for one year in that province, I would guess that not more than one-third of the equivalent of the 30,000 tons of rice allocated will ever be used on those dikes. However, what can ECA do when they have to hurriedly (because of inflation) get rid of large amounts of GY realized from the sale of rice and cotton brought to China under the ECA plan? It is necessary for them to choose a number of the more reasonably stated applications for immediate approval and action.

As to military aid, there has never been a time since VJ Day when Nationalist China lacked ammunition. Although there have been shortages in some areas where the Nationalists were blockaded for long periods, there was never any shortage in transportation facilities for the Government to move ammunition to places where it was needed. So huge were the stores of Japanese and American war materials left in China and brought here from the Pacific islands since the war that no special care was taken of these stocks (remember the huge fire in the Shanghai godowns in November 1946, and other similar instances in other cities). To say that the military aid was "largely surplus supplies not suitable for.....the war with the Communists" is misleading. The Chinese army is on wheels (as well as many civilian organizations) because of the great stocks of fine GMC 10-wheel trucks to be seen everywhere in China which are still being assembled from these stocks of new "surplus" war materials.

The Point Island assembly lot alone has assembled more than 6,000 of the Dodge five-tonners. Jeeps and weapons carriers as well as numerous other categories of US army vehicles are to be found in all parts of China. There is, of course, some "junk," but certainly not over 10 percent of the total. For instance, when the JUSMAG came to China and needed vehicles, they obtained new vehicles at local prices from the Chinese Government, which had obtained them from the US Government at about 10 percent of the cost. And who furnishes the fuel and oil for all these vehicles, tanks, bulldozers, airplanes, self-propelled cannons etc.?

Any of the JUSMAG personnel will gladly enlighten Mr. Judd that the Chinese Nationalists did not lose the war because of poor cooperation and help from the State Department or War Department, just as the unpublished Wedemeyer report undoubtedly would have disclosed, had it been published. "You can lead a horse to water but you can't make him drink" applies only too well to the Chinese situation.

As has been repeatedly pointed out, the only alternative is to take an active part in this internal struggle, and I didn't hear of Mr. Judd setting an example by trying to join the Nationalist army when he made his flying visit. Neither did he try to throw a stone at the rats who have been running away from here with the choicest UNRRA and ECA tid-bits, as well as the national wealth of the Chinese Republic.

No sir, not Judd—he wants you and me to do this "effective aid" business while he stands over there across the ocean and holds his cupped hands behind his back.

R. D. MERRICK.

Shanghai
February 2, 1949

EAT AT

Jimmy's

133 Nanking Road

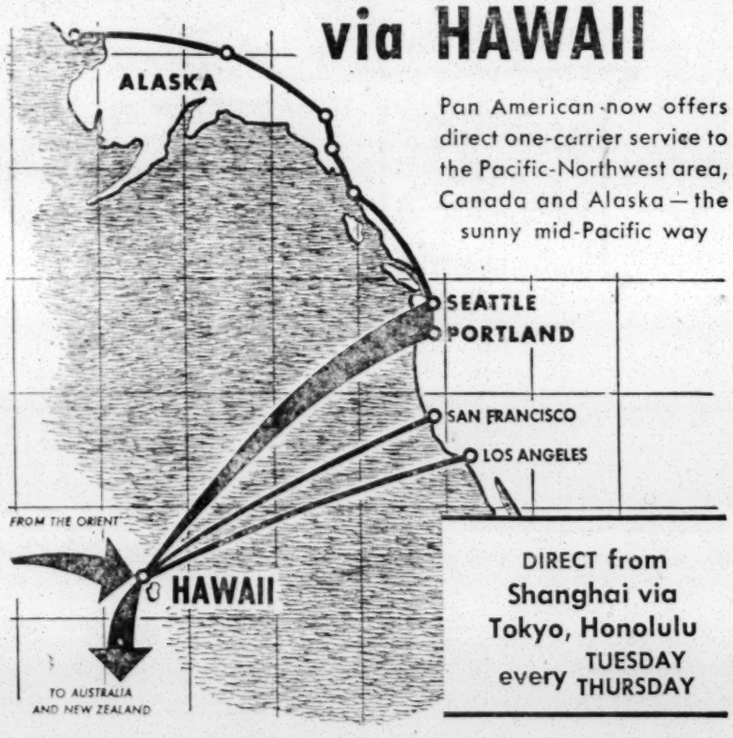
Shanghai

Branch 11-3 Rue Montauban

New Clipper route to

PORTLAND-SEATTLE U. S. A.

via HAWAII



Pan American now offers direct one-carrier service to the Pacific-Northwest area, Canada and Alaska — the sunny mid-Pacific way

DIRECT from Shanghai via Tokyo, Honolulu every TUESDAY THURSDAY

● You can now fly Pan American *all the way* via Honolulu to Portland-Seattle . . . as well as via Los Angeles and San Francisco. Direct connections from Seattle to all Alaska.

Pan American—world's most experienced airline—was first to offer *one-carrier service* around the world to the U.S. . . . has flown more overseas miles than any other airline.

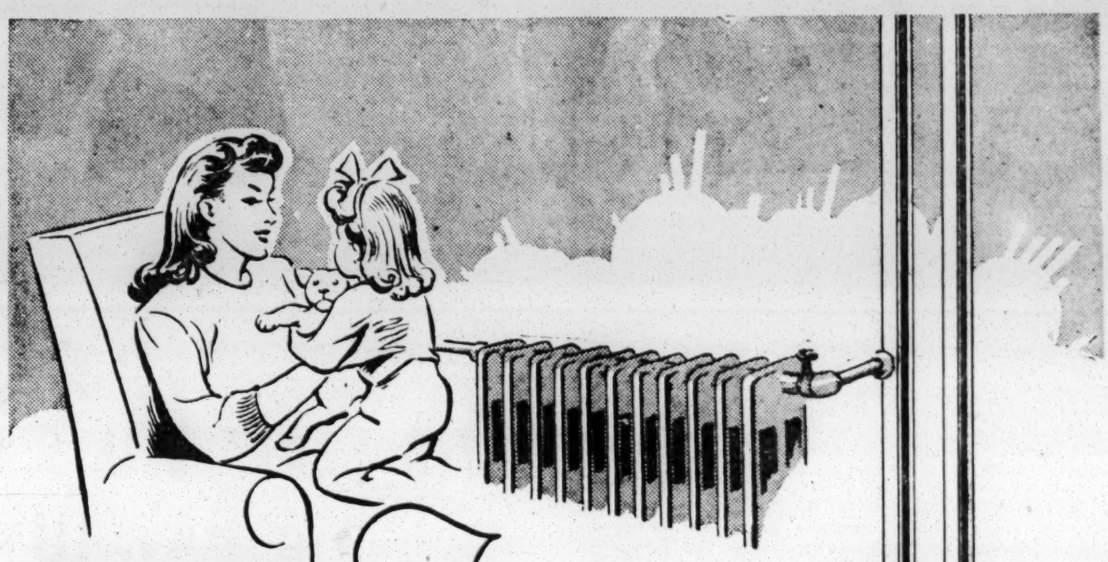
Only Flying Clippers have *Sleeperette* service! Extra leg room . . . extra comfort . . . at no extra cost! For fares, schedules, trip-planning help, call your Travel Agent or . . .

Genl. Agts., CNAC—Cathay Hotel
Shanghai • Phones 15757-19229

PAN AMERICAN WORLD AIRWAYS

SYSTEM OF THE FLYING CLIPPERS
WORLD'S MOST EXPERIENCED AIRLINE

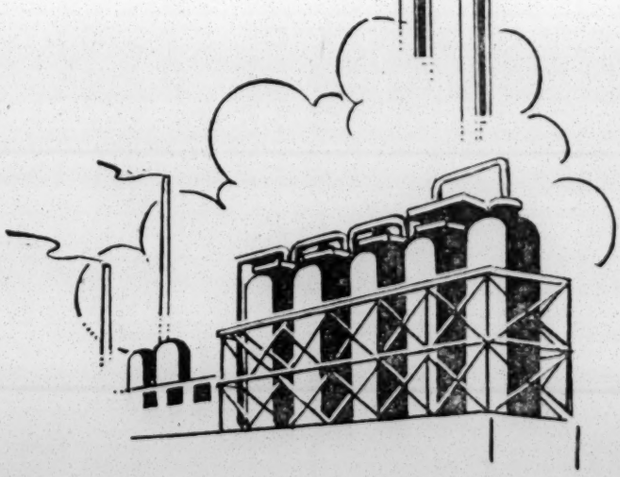
Sleeperette and Clipper, Trade Marks, Pan American Airways, Inc.



GARGOYLE
Lubricants
美孚公司

For more
COMFORT
AT
LESS
COST

INSIST
ON
STANVAC
DIESEL FUEL



STANDARD-VACUUM OIL COMPANY

KING DE-GAW INTERNATIONAL

THE CHINA WEEKLY REVIEW

密勒氏評論報

A Weekly Newspaper Established in 1917

The editorial pages present each week the opinions of the editor. The other pages of The China Weekly Review are written by the other members of the staff and the contributing editors who report and interpret the news irrespective of the views expressed in the editorials.

Vol. 112 Shanghai, Saturday, February 12, 1949 No. 11

US Policy Bellwether?

THE reports, some of them official, that the Economic Cooperation Administration is closing its North China offices, intends to shut down in Shanghai and is preparing plans for increased assistance to Nationalist areas in South China, especially in Taiwan, may well be the bellwether or indicator of a significant shift in US policy toward China.

While it has been difficult in recent weeks to determine exactly what paths US policy was following, there seemed grounds for believing that America was adopting a cautious attitude and had not yet decided whether to consider China a friend or foe. Arguments supporting various views were advanced. ECA Administrator Paul Hoffman, during his Shanghai visit in mid-December of last year, seemed to be taking a rather reasonable view of the situation here, saying that under certain conditions he might be inclined to recommend continuance of American aid to China even if the government of the country changed hands.

In recent weeks it appears that Hoffman has been overridden. One unconfirmed rumor has it that Hoffman discussed the matter personally with President Truman before ordering the closure of ECA offices in areas captured or seriously threatened by the Chinese Communists. In any event, it seems clear that ECA has decided to deny aid to areas controlled by the Communists. The wisdom of this move is certainly debatable. Our personal view is that Washington is making a terrible mistake, for which America will pay dearly in the future. The Chinese Communists have long charged that the US was an imperialist power interested solely in aiding the corrupt and weak Chiang Kai-shek regime in the latter's attempts to suppress the people of China. Such a charge has irritated Americans who view the continuous dispersal of gifts of monies and goods to China as noble gestures reflecting American goodwill toward the Chinese people.

The fact that the ECA is now showing itself willing to feed the needy in Kuomintang areas but is unwilling to give food to the hungry in Communist areas hands the Reds a strong propaganda weapon. It makes it well-nigh impossible for the United States to continue proclaiming that her interest is in the people of China, rather than in any particular regime.

Another point, which is a very important one, is that some ECA relief shipments scheduled for areas which have now fallen into Communist hands, have been diverted, while at sea, to Japan where, presumably, they will be used to help feed the Japanese people. It will be difficult for the United States to maintain that this is not part of a diabolical plot to build up Japan as a counterbalancing power to China—a charge already made by many Chinese, of both Kuomintang and Communist affiliation.

The stoppage of relief to areas occupied by the Communists and the speeding up of aid to areas still controlled by the KMT makes ECA actually a working partner of the Nationalist Government. Since most realistic observers here are convinced that the days of this regime are numbered, the US may in the not so distant future find itself forced to begin negotiations with a new government which will be embittered toward the United States partially because of its last minute aid and comfort to the "enemy."

* * *

WE realize full well that it may become difficult for the United States to work with a Communist Government in China. However, it is our view that friendly relations are not an impossibility. At this critical juncture it is also understandable that the officials in Washington may not wish to do anything that would aid the spread of communism in China. Being a capitalistic country opposed to the principles of communism, America obviously cannot look with pleasant anticipation toward a Red China.

However, this fact now seems inevitable and it is doubtful if the outcome of China's Civil War could be changed unless Washington were willing to declare war on this country and attempt its conquest with American arms. Since the outcome is a foregone conclusion, it seems to us that the reasonable thing to do would be to sit back and let nature take its course. For more than three years the US has been meddling intensively in China's internal affairs. First, assistance, supposedly to both KMT and Red areas, was given through UNRRA. At the same time Marshall came to mediate the dispute. Both were failures. UNRRA aid, the lion's share of which went to the KMT despite the UNRRA charter, was largely wasted and produced scarcely any results at all. General Marshall's mission was not a success. It was then decided by Washington to aid the KMT in its war against the Reds. For this purpose, the China Relief Mission was set up. While relatively more efficient than UNRRA, it still did not seem to improve conditions in Nationalist areas greatly. Next came ECA and its companion piece, a bill giving the Nationalist Government US$125,000,000 to buy arms to fight the Reds. Anybody who is not blind can see that neither of these programs enabled the KMT to function any better than usual. The result is that the Communists are on the verge of taking over this country.

In view of this situation, it seems like just plain foolishness to decide at this late date to slap the Reds in the face by refusing to feed hungry Chinese in areas they control, while rushing in with a large amount of last minute aid to the KMT Government, which, if past experience is any criterion, will simply be wasted and squandered.

While we are not convinced that a communist China and a capitalist America must per se become enemies, we are aware that there are many people who take this view. They, therefore, refuse to see some of the realities of the present situation and are willing to proceed down a straight anti-Red path much in the fashion of a horse with blinders, being distracted not in the least by the numerous unpleasant signs to be seen beside the road. However, there is one "fact" which sits squarely upon the path and which is impossible to avoid. That is: The Kuomintang, as anti-Red a regime as one could wish, is not for long in this world. Soon, come what may, it will be impossible to aid the KMT in its fight against the Communists because it will not exist.

Since any contemplated aid must soon come to an end and since it will have little or no effect upon the outcome, why continue such aid? This question seems especially pertinent since all it appears to be doing is making the Communists more and more hostile toward the United States.

If there ever were a time when we needed to follow strictly the policy of non-intervention which we have so piously outlined in the past, this is it.

It Looked Good On Paper

SHORTLY after taking over the reins of government from the Generalissimo, General Li Tsung-jen, who has in past years gone to considerable trouble to secure for himself a reputation as a "progressive," a "liberal" and as an "enlightened" administrator, issued reform proclamations in wholesale lots. All the freedoms theoretically guaranteed in China's constitution were "ordered" enforced. Political prisoners were to be released, press restrictions were to be removed and so on ad infinitum.

Some of the more cynical observers took a skeptical view of these proceedings from the very beginning. When it became apparent that most of the military and other officials in areas not directly under Li Tsung-jen's thumb were ignoring the acting president's reform decrees, more and more observers began to take General Li's "reforms" with a grain of salt.

However, we still believed that the acting president really intended to implement his announced measures for reform. It seemed logical to us that Li would almost be forced to follow a more liberal and enlightened path than his predecessor if he wished to make political capital out of his present opportunity. After all, we thought, the people will see no difference between the old and new presidents, except that perhaps the old one was a more skillful political manipulator, unless the new one makes some startling and popular moves. When Li announced his plans for reform, we thought this was to be the difference.

We're still not sure but what Li hopes to be known as a reform president. However, we are not as sure as we were a while ago. We cannot blame Li for the fact that Chang Hsueh-liang, the fabled "Young Marshall," is still detained. After all, one of the Generalissimo's trusted lieutenants is governor of Taiwan and we can imagine that any of Li's orders which do not please the Generalissimo will bounce off Governor Cheng Chen like pebbles off a stone wall. Likewise, we can understand that if General Tang En-po does not wish to lift martial law in Shanghai, "President" Li cannot force him to do so.

However, it is our understanding that Li is more or less in control of the city of Nanking. His buddy, General Pai Chung-hsi, who in days past also expended considerable time and energy in securing the reputation of being "progressive," is reported to have dispatched some of his personal troops to Nanking in order to give Li some physical support in the capital. Despite this, General Li's reform decrees do not seem to be having very much effect in Nanking itself.

On February 1, a group of men "clad in black coats" smashed the furniture and equipment of a Nanking paper called the *People's Daily*, after it had published a report saying that a high police official attempted to run off with funds allocated for payment of his men. The following day, a spokesman of the Nanking Garrison Headquarters announced that the paper had been closed by the authorities and a number of staff members detained because it had "published articles without foundation with the intent of disturbing general peace and order."

We are not familiar with the paper in question and therefore are not aware of what important politico, general or other functionary constitutes the "background" of the publication. Thus, we cannot estimate the political maneuvering which may have been in process in the background of this particular case. However, we do know that on the surface Nanking seems to have changed little. Groups of "outraged" citizenry continue to smash papers which "insult the people of China," while the city's cops and garrison forces conveniently retire to nearby tea houses and are therefore "unaware" that lawbreakers are on the loose. It also seems that arbitrary closure of papers and arrest of staff members goes on as usual. The president may have been changed, but, from all indications, it's still the same old Nanking.

General Li's reforms by decree—like those which poured from the Manchu throne during the historical 90 days before the Empress Dowager returned to power and stopped all the nonsense—look good on paper. The people, however, are still waiting for the benefits which the decrees might bestow if they are ever implemented.

Discipline Of Troops Needed

THE problem of enforcing adequate discipline among the disorganized ranks of Nationalist troops is rapidly becoming critical. In many Kuomintang areas, there is little difference be-

tween soldiers and bandits so far as behavior is concerned. In recent weeks the discipline of Nationalist soldiers—never very good at best—has almost disappeared and the public has become the prey of a group whose appetite apparently is insatiable.

Every day we hear of some new incident of vandalism, thievery, or even murder committed by Nationalist soldiers. On one day last week, the *North China Daily News* reported four separate instances of criminal activities by soldiers in Shanghai. Headlines such as "Soldiers Fire On Tramcar"; "Soldier Beats Conductor"; "Protest Over Soldiers In Local Schools", "One Killed, Four Wounded By Hand Grenades", may be found daily in Shanghai's papers.

Clearly, something has to be done. The simplest and most effective remedy would be an end to the Civil War. However, such a solution seems unlikely for the present.

The fact that the problem is not peculiar to Shanghai was pointed up last week by a *Reuter* story from Hankow which described some of the depredations of the Nationalist soldiery in that area and surveyed the situation in the country as a whole. "It is considered," the article said, "that the military.... have earned opprobium in their own right, for they have treated the civil population shockingly. Officers and men have unmercifully battened on the community. They have invaded homes and forced owners to give them free lodging. They have demanded food, and taken it often without payment, sometimes at a price grossly below its worth. They have lived on theft and robbery, and have been blamed time and again for assault and violence."

Reporting that in cities and towns the soldiers have become a "law unto themselves", the dispatch continued: "In Hankow at this moment owners of 40 public bath houses are not only catering for thousands of soldiers daily without payment, but are being forced by commanding officers to sign receipts at GY10 a head so that the latter may submit accounts to Nanking and receive equivalent expenses...."

The article then pointed out that the troops themselves are not entirely to blame, since "the common soldier is forced to fend for himself because of the corruption and inefficiency of his superiors. He may be forced to march in ropes or chains to recruiting points so far away that he cannot possibly escape and find his way back to his native village. He may have been bought as a substitute for a rich man's son drawn for the army by lot, agreeing to the bargain in order to discharge a personal or family debt but giving no loyalty to the army in the process."

The article then went on to describe some of the abuses to which the soldier is subject, such as almost total "squeezing" of his salary by his superior officers. Circumstances, largely, have made the Nationalist soldier what he is. "Out of necessity," the story continued, "he has developed the traits and outlook of the thief and bandit."

The writer of the article believed that the control of these Nationalist troops would constitute one of China's biggest postwar headaches. He estimated that there might be between 3,000,000 and 6,000,000 men in uniform, many scattered hundreds of miles from their homes. If the huge task of repatriating them to their native places is not undertaken, the writer said, "observers believe China will be riddled with crime and violence by soldiers, particularly of the Nationalist armies, who may be left to fend for themselves far from their homes and without control or money."

This is certainly a grim picture. We imagine that there are few areas in Nationalist China which have not at one time or another experienced the unpleasant visits of marauding soldiery. As Kuomintang power has declined, the discipline of Nationalist troops has become progressively worse. All too often, it seems, the commanders and lesser officers of these "remnants" of defeated armies are themselves not interested in controlling their men. We now hear rumors to the effect that some commanders are even demanding payment from civic leaders in towns about to be evacuated in the face of Communist attacks. Unless such payments, usually called bonuses for the troops "protecting" the town from the bandits, are quickly handed over, the commander threatens to turn his troops loose to pillage the place. It has even been rumored that the preliminary "bargaining" for this type of payment has started in the Shanghai area.

There obviously is little we can suggest in the way of a remedy, especially in view of the fact that the highest authorities apparently are willing to condone this lack of discipline unless they are paid "for their trouble" in preventing it. However, we might point out to the authorities concerned that such behavior will gain for the Nationalists very little of the popular support they are constantly exhorting the public to display.

China's Untapped Power

WE'VE spent most of the last three and a half years pointing out all the things that, in our view, were being done wrong, or perhaps just weren't being done at all. From time to time, when we felt that a continuous diet of complaint was getting tiresome, we looked around for something which would stand a little praise. Rarely could we find anything of such nature. Sometimes, we could suggest things that should be done. However, that, too, became a little wearisome in that as time went on it became more and more evident that no one in China had any time or energy left over from the Civil War to devote to constructive activities.

Now with the Civil War on the road to conclusion, we may expect a little progress of one sort or another in this country. While we are not by any means relinquishing our right of returning to a diet of complaint—it has almost gotten to be a habit—we are looking forward to the

time when we can start suggesting ideas for things which need to be done and know, we hope, that we are not merely wasting newsprint.

One of the things China is really going to need in the days to come is mechanical power. If this country is to make any worthwhile progress toward a decent material life, many sources of energy to drive machinery of various types will be in demand. By and large, China, it is believed, is unfortunately a relatively poor country in natural resources. This may be disproved by future exploration, but on the basis of knowledge available today, she does not have too much in the way of valuable material assets aside from her tremendous manpower. It is true that she is one of the largest producers of coal in the world and the proper exploitation of her reserves will be of great help. However, it is questionable whether or not there is sufficient coal of sufficiently high quality to meet the demands which will arise. China's supply of wood, for making charcoal, is not great; besides, this is an expensive fuel and its uses are limited. Petroleum is found in only a few areas and so far in not very large quantities.

Perhaps the greatest potential source of energy lies in the development of hydro-electric power, a field scarcely touched in China and one capable of considerable development. While we do not know of any thorough survey of sites suitable for hydro-electric installations, one has only to travel through the rugged interior of the land to be impressed by the many streams which pour swiftly through mountains and valleys. In addition to the much talked about Yangtze Valley plan, which calls for the erection of the largest dam and hydro-electric installation ever conceived near Ichang, there are countless spots in the mountainous areas of China where relatively small units could be installed which would provide electric light and industrial power for local areas.

Of course the initial installation costs for such power plants would be tremendous and undoubtedly could be financed only by government capital in a country as poor as China, which does not have a well-developed middle class from which investment capital can be secured. However, that should not be any problem to the new regime since it is committed to a policy of state enterprise in any event. Once built, such plants would provide a virtually never-ending source of cheap power. Additionally, they would pay dividends in improved navigation facilities for cheap water transportation, while their value in aiding flood control and soil conservation programs would be inestimable.

China needs many things and the improvements to be undertaken first will have to be carefully selected from a lengthy list, after due consideration as to which should have priority. Funds for capital development will be scarce and the decision to invest in projects, such as hydro-electric installations, which are both expensive and slow to build, may entail considerable self-denial and kindred hardships. However, we think the exploitation of China's water resources should come close to the top of the list of developments to be undertaken once the fighting ends.

25 Years Ago in *The China Weekly Review*

Cycle System

February 9, 1924.

The Cycle system is claimed by the Chinese to have originated in the time of Huang Ti, the Yellow Emperor who, according to legend, ruled over the "Blackhaired" people from B.C. 2698 to 2598. To him are also ascribed the invention of pottery, wheeled conveyances, armor, ships and other civilization-perfecting objects. The Cycle is supposed to have been established by him in the year 2,637 B.C., and the one just completed was therefore the 76th cycle. According, however, to the Shu Ching, or Shoo King, popularly known as the Canon or Book of History arranged by Confucius, the Emperor Yao (2356-2255 B.C.) determined the summer and winter solstices with the aid of skilful astronomers; he also calculated the length of the year and brought in the intercalary month. Each year in the Chinese Cycle is known by a name of Two Characters which are taken, the one from one of the Ten Heavenly Stems, and the other from the Twelve Earthy Branches. The year just ended, the last of the Cycle, was known as the Kuei Hai; the one now beginning is the Chia Tzu. "The system is attributed to Huang-ti, 2637 B.C.," says Couling in his Encyclopedia Sinica (p. 137), "but it is certain that before the Han dynasty, B.C. 206, there is no evidence of the stems and branches being used to mark years but only days and hours, etc....." Buddhism in its spread throughout the Middle Kingdom invented 12 spirits who are considered as rulers of the Cycle. They are known as Yuan chia, or Yuan Ch'en. The Twelve Earthly Branches mentioned above have 12 animals associated with them which are used to mark the years of a Cycle. In order these are the Rat, Ox, Tiger, Hare, Dragon, Snake, Horse, Monkey, Fowl, Dog and Pig. Age is often given in this country by reference to the animal which marked the year of birth. According to the distinguished French Sinologue, Edouard Chavannes, the Cycle was invented by Turkic tribes and introduced into China by the Hsiung Nu, or Western Tartars of Mongolia who are first heard of in 318 B.C. The Hsiung Nu are the supposed ancestors of the Huns and Turks, and at one time occupied the northeastern part of Shansi province. The Cycle system is also said to have been carried into Egypt and there modified when that land became a province of the Roman Empire.

* * *

Lenin's Death

Dr. Sun Yat-sen, generalissimo of the constitutionalist government in Canton, upon hearing of the death of M. Lenin, the Russian Soviet leader, ordered all government offices here to display their flags at half-mast for three days beginning January 26, the Southern leader saying that he has much in common with M. Lenin in political principles.....

10 Years Ago In *The China Weekly Review*

Canton—A Dead City

February 11, 1939.

Canton was occupied by the Japanese military forces in October last year, less than four months ago. According to a recent estimate by a foreign correspondent who made a survey of conditions in Canton, the present population does not exceed 9,000 people.....

Once the richest and largest city in Asia, Canton is now a city of silence and complete solitude. Not even a pig roams the narrow streets and alleys and any cock so brave as to crow would shortly provide food for some hungry Japanese soldier. Three British ships lie idle, bottled up by the Japanese blockade, and foreign gunboats which dared the Pearl river mines are anchored in the stream. Except for the sale of loot, either through Japanese agencies or a few Chinese working with them, there is no business.

WHAT SHOULD THE US DO IN CHINA?

An American Symposium

THE *New York Star*, before it suspended publication January 27, invited a group of experts on the Far East, representing all political opinions, to reply to two salient questions on China:

First: Why are the Chinese Communists winning?

Second: What can and should the United States do about the crisis in China?

With the permission of the *Star*, their answers are herewith reprinted.

Edgar Snow:

Why are the Communists winning China? Why did Truman beat Dewey? Why does a fighter who uses both feet and hands knock out a man who stands flatfooted in the middle of the ring? The Nanking dictatorship under Chiang Kai-shek which has stood still for 20 years, now is toppling over from the inner fatigues of its posture and the endless hammering of a lightfooted enemy tireless in the use of mobility.

The Chinese Communists are winning because they put into action a program which satisfies some of the urgent needs of their people. In 1927 the KMT won power with the slogan of land to the tillers and democracy in government. It is losing now because it never redeemed either promise. The Communists are winning because they equalized land ownership and gave the peasants an economic stake in their struggle. On that they built a political allegiance. From the political allegiance they created a mass movement. Out of the mass movement grew a moral and cultural energy which gave birth to young and energetic leadership. A disciplined popular party then became invincible because it drew its strength from the majority of the people and had to find some immediate practical answers to their principal needs. From all that emerged the most effective military organization in modern China.

What can and should the United States do about it? Three things: 1) Return to our traditional policy of non-intervention in the internal political affairs of China and the right of self-determination; 2) Insist at the United Nations that the other powers do likewise; 3) Proclaim to the Chinese people the deep and abiding friendship of America, and its readiness to support any practicable efforts to solve the enormously complex economic problems underlying the present revolution.

(Mr. Snow, author of RED STAR OVER CHINA, was formerly a China correspondent, and is presently an associate editor on the staff of the SATURDAY EVENING POST. Mr. Snow was at one time an assistant editor of the REVIEW.)

Owen Lattimore:

The Chinese Communists are winning partly because they are better led, but even more because the KMT has proved itself corrupt, incompetent, and oppressive beyond all description—beyond comparision even with the Greek government. In this country, we associate communism with—in Secretary Marshall's words—"poverty, hunger, desperation and chaos." The irony is that in China it is the Government territory that is most accurately described by this terrible formula. All recent American reports describe complete disintegration of morale on the Government side, and lack of belief that the KMT represents anything worth fighting for.

We have, by aiding the Chinese Government too much and too soon, gravely imperiled American interests in China. Nevertheless, our national interest remains. Our sheet-anchor in China is the good will of the Chinese people. To conserve that good will we should cease all activities that prolong and embitter the Civil War.

But we should not pull up all stakes and clear out of China in a panic. We should continue every form of activity, especially economic reconstruction, that will in the long run benefit the Chinese people, whatever their form of government.

(Mr. Lattimore, former political adviser to Generalissimo Chiang Kai-shek, and deputy director of Pacific Operations of the Office of War Information, is the author of many books on China and the Far East.)

Rev. Thomas O'Melia:

For a fair parallel in United States history today, you must go back to Valley Forge politically, financially and militarily. Since the revolution of Sun Yat-sen, the Chinese government has been bedeviled with almost insurmountable obstacles to which has been added foreign aggression. The Communists, on the other hand, with the abundant assistance of arms and money from the Soviet Union, and a strength that has not been dissipated, are able to strike successfully against this weak Government.

The United States should do the following things:

1) Publicly declare itself against the Communist aggression.
2) Repudiate the Yalta agreement.
3) Bring China's case before the United Nations.
4) Send immediate all-out military aid to China to be used under American supervision.

(Rev. O'Melia spent 25 years with the Maryknoll mission in China, was an UNRRA official in China after the war, and is now secretary of the Maryknoll Order in Washington, D.C.)

Harold Ickes:

Facts as reported by the press, and information received from competent observers recently arrived from China, have inclined me to think that it is not so much that the Chinese Communists seem to be winning, as it is that China is undergoing an operation for the removal of a cancer. Doubtless there are many Communists among the rebels, and it may be assumed that Russia has been making the most of an opportunity. It has long been my view that the Chinese Civil War, starting largely as an agrarian revolt against the corrupt and barbarously tyrannical regime of Chiang Kai-shek, has progressively embraced workers other than those of the soil. It includes teachers, students, and other professional groups, as well as all those groups who are passionately devoted to the principles of human liberty as enunciated by Sun Yat-sen. To this moral factor has been added the reportedly vast quantities of arms and supplies furnished by the Untied States for Chiang's support, but which have passed to the insurgents through desertions, wholesale surrenders, and sale by venal and corrupt Nationalists. Out of the present chaos may come a government truly representative of the Chinese people. If so, I believe that our nation will not hesitate to give generous aid for economic rehabilitation.

(Mr. Ickes, Secretary of the Interior from 1933 to 1946 and author of many books on the New Deal, writes a thrice-weekly column on social and political issues for the NEW YORK POST.)

Jack Beall:

The Communists are winning in China because they are unified, have better moral and discipline, and are more skilfully led. Negative factors on the other side are years of building up for a crash in the economic field. The morale of the people is sapped by galloping inflation. This will go on in geometric progression as they realize Chiang's Government is unable to stop the Communists.

It is almost too late for the United States to step in with anything less than full-size military aid. Granting this should be done, it doesn't seem likely it can be done politically. It would also take several billions in material and financial aid to get Nationalist China on its feet again. Congress would vote this sooner than a heavy military commitment, but I don't think that more money or arms would long postpone Communist control.

Some possibility exists of a lend-lease airforce to be manned on a stepped-up Chennault plan, by volunteers. If thrown in soon enough, on a sufficient scale, it might halt the southward march for a period long

enough to rally Chiang's forces and put renewed heart in the people.

(Mr. Beall, who serves as a Washington D.C. correspondent for the American Broadcasting Company, has gathered news for 14 years and worked as a NEW YORK HERALD TRIBUNE foreign correspondent.)

George H. Olmstead

In my opinion, the Chinese Communists are winning because of better discipline, better solution to their supply problem, better public support in the areas which they control and more effective assistance from outside. The Nationalists are tired, disorganized and too spread out, losing public confidence in their capacity to solve problems.

US policy makers should recognize that if China falls into the Communist orbit, India and Southeast Asia will be next and will go with less resistance. American policy should be firm and long range.

The Chinese people are not inherently Communistic. However, they must understand and approve our program if it is to succeed. We should provide for adequate military and economic aid directly to the Chinese people and not to the present Government. This aid should be controlled by us down to ultimate point of distribution. And as conditions to our aid we should insist that the Chinese people at all times have the opportunity to change the imposition of a Communist dictatorship.

Areas of China now in Communist control should be placed under UN trusteeship pending the ultimate decision as to reintegration with or independence from the remainder of China. It's too late for coalition government. It won't work.

(Gen. Olmstead, brigadier-general attached to Staff Corps, G-5, of the US Army in the China theater of war, was the former US economic adviser to the Chinese Government.)

John K. Fairbank:

The Chinese Communists are winning because they have organized the poorer peasantry who form the majority of the country. The Kuomintang has had 20 years to do this, but failed to seize the opportunity. The Communist organization of the peasantry has tough, ruthless, but also beneficial and appealing aspects. The Communist success is a measure of Kuomintang incompetence and its failure to organize the peasants as a basis for state power.

The United States cannot save the present Chiang Kai-shek regime and should avoid any commitment to support it in exile. We should not send any more military aid now because there is little chance of its having a good influence. But we should continue some economic aid for humanitarian or constructive productive purposes. The main policy of necessity is that we retain freedom of action to deal with the new situation which is arising on a flexible bargaining basis.

Meanwhile, we should leave American representatives in China, and try to maintain contact with the Communist areas as long as possible. The Chinese Communists inheriting the Kuomintang mess are certain to face big problems and must either seek our cooperation or more probably give us eventual excellent opportunity to support anti-Communist movements.

(Mr. Fairbank, Harvard history professor, author of THE UNITED STATES AND CHINA and former head of US Information Service in China, has lived for more than 17 years in that country.)

'The Good Earth'

Annalee Jacoby:

The Communists are winning because the Communists have offered the peasants something to fight for, and Chiang has not. Chiang never consulted his people, he commanded them. He was ruthlessly intolerant of all opposition—conservative and liberal as well as Communist. He crushed peasant revolts and rebellions with his own party; he left no middle ground. Forced to be for him or against him, the Chinese chose the less familiar evil.

The USA gave up its chance three years ago, when it allowed General Marshall's PPC (Political Consultatite Council which adopted a plan for conciliation between Nationalists and Communists) agreement to die away, without insisting on compromise and reform in exchange for further support. We nodded meekly at Chiang's intransigeance, knowing that our supplies and help were largely responsible for it. We stood by while middle-of-road groups were persecuted and dispersed.

All the military aid we can afford will not win victory now for Chiang Kai-shek. We can only reaffirm our desire for a government representing all areas of public opinion, promise large-scale aid in reconstruction *only* if and when such a representative government is formed, and hope.

The Communists are sure of a military victory. They know, though, that US supplies and advice are necessary to rebuild China; they know that Chiang's technicians are far more able than their own; they know that hungry peasants may turn against them during post-war chaos. Their confidences plus their need may make them decide to yield politically. We'll then have a coalition as shaky as Czechoslovakia's—but this is our remaining chance in China.

(Miss Jacoby, co-author with Theodore H. White of the best-seller THUNDER OUT OF CHINA was a war correspondent for the magazine TIME, LIFE and FORTUNE in China for 16 months.)

Dr. Edward H. Hume:

The surprising advance made by the Communists in China is clearly due to three causes:

(1) The way in which many of them have made friends with the farmers and given them almost unredeemable promises. In this matter they have surpassed the Nationalist forces.

(2) In the way in which Communists have gained access, especially in Manchuria, to Japanese arms and ammunition that were surrendered on VJ Day and in which Russian forces in Manchuria have helped the transfer of material aid.

(3) The sincere but misguided efforts of the American Government to reconcile Nationalist and Communist forces in China and our delay in giving active military aid to the Nationalists.

What should the United States do? It should await the report of William Bullitt, prepared after the conference with Ambassador John Leighton Stuart, Chennault and MacArthur. After this report is discussed in Washington with Wedemeyer, assuming that it proposes vigorous American aid in arms, ammunition and supervision, I strongly support this course. All we should give should be under strict American supervision.

(Dr. Hume, author of THE CHINESE WAY IN MEDICINE and member of the Council on Medical Missions in China, has been identified with education and medicine there since 1906.)

Agnes Smedley:

Regarding your China question: The Chinese Communists are winning because they are the Chinese common people fighting a holy war of liberation from feudal reaction and imperialism. The people's liberation army is a democratic army composed of workers and farmers and led by proved first-rate military and political brains. Rooted in the agrarian and anti-imperialistic revolution, this army is highly educated politically, incorruptible, disciplined, and dedicated. Its strategy and tactics have been developed through 20 years of bloody struggle against a dictatorship which even its allies admit to be medieval, cruel and corrupt, and which every Chinese now knows could not exist without foreign support.

The American government should withdraw all armed forces from China, including Tsingtao and Formosa, and stop all aid to Nanking or any local war lord or politician. Our State and War departments should be cleansed of all supporters of the puppet Nanking regime and staffed by enlightened Americans who know and can win the friendship of the new democratic China. Chinese revolutionaries regard the American people as friends and allies but have learned from bloody experience that our present policy is determined by their mortal enemies. Making enemies of one half billion Asian people, one quarter of the earth's population, is criminally stupid.

(Miss Smedley, author of "THE BATTLE HYMN OF CHINA, lived for many years among the Chinese Communists. She is presently writing a biography of Chu Teh, commander of the Communist army.)

Nathaniel Peffer:

The Chinese National Government has lost because it has been repudiated by the Chinese people. The same incompetency, to say nothing of the corruption, that has brought about repudiations by the Chinese people has brought about defeat by the Communists.

The Communists have won despite the great material odds against them and contrary to all expectations. It is not so much that Communists have won as that the Nationalists have lost. The Nationalists having been rejected, a vacuum was created. The Communists have moved in. Now there is nothing to do.

There is nothing America can do to arrest what is now in process of conclusion. The Nationalist Government has to go. If America wants to, it can take its place—that is, act as government of China and sent over a big army as military support for that government. That probably would mean fighting the larger part of the Chinese people and the Russians as well. It is therefore fantastic and had better be dropped.

There is nothing to do now about China but accept what is. If Russia becomes too dangerous, and therefore has to be opposed it will have to be opposed in the West.

(Mr. Peffer, Columbia University professor of international relations, is a writer on International affairs and author of several books on the Far East, among them MUST WE FIGHT IN ASIA?)

Christopher Rand:

The Communists are winning because they are more attentive to the needs of the people than Chiang's government. They're guided more by principle, less by pressure groups than Chiang. Their army and bureaucracy are more devoted and efficient with a clearer idea of the common purpose. Communist strength comes from within China. Russian material help has been small compared to what we've given Chiang. If outside powers had let the Chinese Civil War alone, the Communists would have won before now.

The US should firmly protect its nationals during the crisis. It should stop military aid to Chiang which is futile and can only antagonize the successor government. It should continue economic aid where possible and where it clearly helps the Chinese people rather than one faction. It should make known its willingness for friendship with any reasonably representative Chinese government. It should adopt a long range policy of watching Chinese developments closely as possible and trying by unmeddlesome neighborliness to restore traditional Sino-American good will. On the basis of the China lesson, the US should adopt the following program for Asia and other backward areas where Communism is a factor: Don't become identified with archaic losing regimes, don't oppose strong popular movements by force, apply American wealth and techniques constructively and thoughtfully to soften the impact of the West on old peasant societies (which is one of the greatest problems in the world today). If this means backing socialism in those areas, we shouldn't hesitate to do it.

(Mr. Rand has recently returned from China, where he served as a correspondent for the NEW YORK HERALD TRIBUNE. During the war he worked in China for the Office of War Information.)

Rev. James Smith:

The Chinese Communists are winning because they are fighting a government that never had a chance to build up its strength. Only in 1936 was the last of the Chinese warlords overthrown and an attempt made at national unity. The following year the Japanese war broke out. The result of all these years of strife is a weakened China that needs years of peace to rebuild. During this time the Communists hoarded their strength, got effective outside help, and are now striking at a weakened national government.

For its own protection and the establishment of a free people's government in China based on Sun Yat-sen's three principles, the United States should give immediate and all-out aid to China.

(Rev. Smith, who was with the Maryknoll mission in Kunming, China, for 10 years, is now vocational director of the Maryknoll Order of the Catholic Foreign Mission Society in America.)

Amos Landman:

One word explains Communist victories: *morale*. The Communists have it, the Nationalist haven't. On the military front thousands of military troops are deserting, according to Nanking reports.

The Government's set-backs are a matter of lack of will to fight and not lack of ammunition. At Tsinan, for example, the Nationalists had ample supplies but they simply quit after eight days' fighting.

On the home front, people can no longer endure the lack of rice, basic necessities and stable currency. Even the middle class has been alienated by the recent reforms which cost them $190,000,000 in gold.

I've not visited the Communist areas, but successful guerilla warfare depends on the peasants' cooperation, and repeated Communist victories seem evidence of superior troop morale and popular support.

It is questionable whether it is to America's advantage to continue backing a government which rests on doubtful popular support and which has failed to use America's aid effectively. The problem is for the United States to find a way to use its power and resources to build up a moderate and efficient government which will carry out the three principles of Sun Yat-sen, China's first president: *Nationalism* (the unification of China), *Democracy* (including initiative, referendum and recall), and *People's Livelihood* (the state is responsible for providing the necessities of food, clothing, shelter and means of travel.)

(Mr. Landman, who has covered politics and labor in New York for the NEWSPAPER PM and written articles for COLLIER'S and other magazines, is now on a tour of the Far East.)

Floors
renovated
by
Electric
Wiring &
Waxing

FESCO

DIAL 12156

Shanghai On The Eve

Andrew Roth

A CLAMMY grey fog of uncertain resignation hangs over Shanghai, economic capital of China. The greyness of Shanghai is compounded of cloud-darkened winter skies, increasing economic misery and uncertainty over the future.

Even at its sunniest Shanghai is not a warm and attractive city. Sprawling out for miles on the banks of the Whangpoo River, its close-packed, Western-style offices and tenements are testimony to the fact that a century ago the "foreign devils" decided on this as a good site from which to tap the rich trade of the Yangtze River, great artery of Central China. Its growth from a mudbank village to a metropolis of 5,000,000 people is tribute to the soundness of this decision.

Unlike truly Chinese cities like Peiping or Canton, most of Shanghai's development has been under Western influence, and until World War II the Western powers had extraterritorial control over the "International Settlement" and "French Concession" here, as relics of the "unequal treaties" exacted in the 19th century. Although extra-territoriality has now been given up, Shanghai is still the base for Western economic influence with most of the American and British firms having their headquarters here. Shanghai's power and telephone companies are American owned while its water and gas companies are British.

Economic Gatekeeper

Shanghai is sensitive to these things as China's economic gatekeeper and industrial center. Sitting astride the coast and the main artery into Central China it has exacted its toll on import and exports, gotten its cut on most of China's financial transactions with foreign countries and exacted a labor charge on the considerable cargo which passes through here. Its supply of cheap labor has made it worthwhile to manufacture some of the raw materials passing through here to be reshipped to less-industrialized sectors of China and other parts of Asia. About a half of all China's industrial workers live in the Shanghai area.

As the most advanced metropolis in a backward country, Shanghai faces the industrialized West but has its feet stuck deep in the clinging mud of China's medieval past. In the streets the strident horns of sleekly powerful new automobiles compete with the warning shouts of rickshaw pullers or men hauling huge loads by hand. In the river picturesque junks with handwoven fibre sails silhouette themselves against Western war-vessels on "battleship row" whose superstructures bristle with the most complicated radar apparatus that modern industry can produce. And the most "go-ahead" businessman is forced to drag his feet by the stifling embrace of the medieval bureaucracy and of the "bureaucratic capitalists," who seek to monopolize China's economy through control of the bureaucracy.

But the sharpest contrast in Shanghai is that between wealth and poverty. Even in the comparatively peaceful prewar days Shanghai was one of the world's worst sweatshops. Today, semi-skilled factory laborers work 12 hours a day for an average of about 50 American cents a day, including a cost-of-living allowance which is always one step behind runaway inflation.

Weight Of Inflation

Although Shanghai's laborers have not sunk far below their slow starvation level, because they could not sink much lower, the striking fact about the last decade of invasion and civil war is that large numbers of salaried and professional people have been ground down to virtually the same level by the weight of inflation. The last, and cruelest blow of all was the highly-touted conversion of CNC to Gold Yuan last August and the simultaneous forced surrender of gold, silver and foreign currency (particularly US dollars), which were being kept by many families as a hedge against inflation. The surrender was made at the equivalent of four Gold Yuan to one American dollar, which was supposed to be the stabilized value of the new currency. Today the Gold Yuan has sunk to one three-hundredth of its value five months ago. This has not hit China's top families, most of whose holdings of gold and foreign currencies are abroad. More than US$600,000,000 of it is in the US alone.

It is perhaps the overwhelming concern of Shanghai's majority with the grinding problems of survival which gives the impression that they are ignoring, for the most part, the climactic battles of China's civil war which rage one-hour's flying time from here. Perhaps it is also Shanghai's reputation as a "lucky city" which has emerged physically virtually unscathed from a century of civil wars and invasions.

Tens of thousands of refugees have poured in here from the battle-ravaged countryside but seem to be swallowed up by this vast, teeming city. Even the destitute ones who beg by the wayside are not nearly so conspicuous as Shanghai's nagging, clinging professional beggars who make almost every walk an ordeal.

Shanghai is an economic hostage to politics. And the 22-year-old political conflict which is now being fought to a finish 150 miles away has already had its impact. As Shanghai's economic hinterland is being eaten away by the Communists and convulsed by warfare, its markets and sources of raw materials for export diminish. The wheels of its industry are slowing down, adding thousands of jobless factory workers to the mass of jobless refugees. Last April local factories consumed 53,000,000 kilowatts of electric power. By November this had dropped to 38,000,000. Thus, even before Shanghai has faced the imminent possibility of Communist encirclement and occupation it is grey with cold, hunger and uncertainty.

Looked at from a distance one would expect to find Shanghai's wealthy in a panicky condition and anxious to escape from the city. Investigating it close at hand, however, one is amazed to find that a large portion of Shanghai capitalists are not only resigned to a Communist victory but take the attitude: "They can't be much worse than the Kuomintang!"

Many Sitting Tight

However, in contrast with those wealthy Shanghailanders who are so deeply enmeshed with the "favored families" of the Kuomintang and will flee because they can expect little mercy from the Communists, there is a surprisingly substantial group who are sitting tight, willing to give the Communists a chance. Many of these wealthy Chinese are sitting tight because it is too late to liquidate their holdings. But many have become so bitterly anti-Chiang that they feel the Communists cannot be worse.

The striking thing about these industrialists is that many of them are the very ones who gave Chiang his start and upon whom he was dependent during his first decade in power. Chiang was very friendly to the Shanghai capitalists in the prewar days when he needed them, although the economic plums were dropping into the hands of the "favored families" or "bureaucratic capitalists." When the Sino-Japanese war drove Chiang into the interior, his link with the Shanghai industrialists was severed and he become dependent on the landed gentry of the interior and on the bureaucratic supermillionaires like H. H. Kung, wartime Premier and Finance Minister, or T. V. Soong.

At the war's end, Chiang expected Shanghai businessmen to knuckle under. Many did. But many, who didn't, were penalized by the government. Many rich Shanghailanders became increasingly annoyed at having to pay regular monthly allowances to one or another group of Kuomintang secret police, economic investigators and the like to avoid arrest, whether deserved or not.

The widely-heralded "economic reform" of last August, accompanied by the highly theatrical "tiger-hunting" of the Gimo's son, Major General Chiang Ching-kuo, was the last straw. Hundreds of substantial bona fide Shanghai business people—but *not* the members of the "favored families"—were arrested for practices which until a few days before had been standard and accepted.

It is said that the jailed industrialists were ripe meat for the jailed leftist students with whom they were thrown in contact in the crowded prisons. Certainly their August experience and the subsequent Kuomintang military reverses have made them willing to listen to Communist approaches.

After an initial period of panic in November, following the US Consul-General's request that all non-essential Americans be evacuated, the foreign business community has settled down to sweating it out. Although there is naturally considerable anti-Communist feeling among foreign business, there is very little pro-Kuomintang feeling except on the part of those outfits which have been special Kuomintang favorites. Most Americans resent the fact that despite considerable American aid to China, the Kuomintang has used every trick in the book to make it difficult for them to operate here. Any tendency on the part of the American firms to pull out is tempered by the knowledge that the British firms are staying and will pick up any of the opportunities provided by an American evacuation on top of the already conspicuous errors of American policy in China. So American businessmen, mostly without their wives, wait uneasily to see what life under the Communists will be like. And most of Shanghai waits with them.

THE JAPANESE ELECTIONS

Hugh Deane

TOKYO, January 31

THE Japanese Communist Party, long one of the weakest communist parties in Asia, has now become a major political force. This is the most important meaning of the January 23 elections, which gave the party 35 seats in the lower house of the Diet, an increase of 31, and a popular vote of 3,000,000, three times that which it received in the April, 1947 elections.

The Communist upsurge will be more significant in the long-run than the victory of Premier Shigeru Yoshida's Liberal-Democratic Party, which won 268 seats and a substantial majority. The Liberal-Democratic success was essentially a factional triumph over other rightist parties, while the Communist gains indicate that Japanese politics are beginning to change fundamentally.

The number of successful Communist candidates does not tell the whole story. The party elected all 12 candidates in Japan's six largest cities—Tokyo, Osaka, Yokohama, Nagoya, Kyoto and Kobe—showing that it has succeeded the Socialists as the political representative of the majority of workers.

The Socialist Party, which won a plurality in the 1947 elections, paid for its broken promises, vacillations and corruption by losing nearly 100 seats; it elected 48 candidates. Many leaders, including ex-premier Tetsu Katayama and former party boss Suehiro Nishio, who was recently convicted of bribe-taking, lost their seats.

Communist campaign strategy was to run only one candidate in each district, but as the elections turned out, the party might have elected two in several urban districts. For the first time the Communists polled a heavy vote in the countryside, though obviously the rural areas are still predominantly conservative.

* * *

THE victories of the Chinese Communists, which have acted upon the imaginations of hundreds of thousands of people, certainly influenced the elections, but the most important factors behind the Communist gains were domestic — the intensifying pressure on workers, farmers and small-scale producers which is accompanying the American economic stabilization program, the instances of repression and the threat of a general offensive against leftwing political activity, the failures of the Socialist Party, the epidemic of scandals involving all parties save the Communist, the spread of ideas and the birth of new dreams among a people who enjoy more freedom of speech and of the press than ever before.

The Communist Party began to develop into a major political force in the autumn. In November and December a series of mergers with leftwing Socialist Party branches took place, and large numbers of workers, union leaders and intellectuals joined the party. Thus the elections registered Communist strength at what may well turn out to be an early phase of a period of expansion.

The Communist gains were won despite an electoral law which sharply curtailed campaigning and despite the indirect and direct opposition of the US occupation authorities. A number of Communist candidates, including Teru Takakura, former Diet member and well-known writer, and Yashiro Ii, former head of the Railway Workers Union, were arrested for varying periods prior to the campaign and forced to withdraw. In Nagano Prefecture, exhortations to vote against the Communists appeared on official bulletin boards, and an airplane scattered anti-Communist leaflets. The Japanese have not been permitted to operate airplanes since September, 1945.

The view of Communist leaders Kyuichi Tokuda and Sanzo Nozaka is that the elections created conditions favorable to the formation of a People's Democratic Front which can oppose Yoshida's Tory majority both in the Diet and through the action of organized workers and farmers. Both the party's central committee and the Congress of Industrial Unions, which is Japan's largest union federation and which elected four of its own officials to the Diet, have issued calls for unity of action by the Communist, Socialist and Labor-Farmer parties. The Socialists immediately rejected the proposition; the leaders of the Labor-Farmer Party, which has seven seats in the Diet, agreed to it in principle.

* * *

THE elections recorded what has long been apparent: The fact that Japanese politics, like those elsewhere, are polarizing. In 1945 and 1946, a good number of Americans in the occupation believed that the United States could prevent a basic political division between the traditional right and a Communist-dominated left. The liberal reform program of those years was largely directed to that end, to shake up the right a bit and to blunt the appeal of the Communists. Part of the program is still effective—freedom of political and trade union activity and of the press, for example, exists in large measure. But most of the program, in particular its economic heart, has now been jettisoned in favor of economic and strategic recovery. Since growing numbers of Japanese, like other Asian peoples, believe now that a better life is possible, the discard of reform is exacting a political payment.

The elections also demonstrated once again that in Japan, as elsewhere, the United States will work more closely with the right. Premier Yoshida's Liberal-Democrats have sabotaged the American liberal reforms more effectively and brazenly than any other group. Yet General MacArthur could bring himself to declare that the "free world" has cause to rejoice over their victory. Presumably MacArthur will throw his weight behind Yoshida, just as he has given his support to President Syngman Rhee of South Korea and, without avail, to retired President Chiang Kai-shek.

Outlook For ECA Rural Reconstruction Program

Roger Kent

WITH the suspension of ECA activities in North China in the wake of Communist successes, the current ECA publicity spotlight is now turned on the Sino-American Joint Commission on Rural Reconstruction with emphasis placed on "an overall program to improve rural life for five million people in the Third Prefecture of Szechuen Province."

According to an ECA release on February 3, "The program will concentrate on five main targets: Agriculture, farm tenancy, local government, administration, health and adult social education."

The points for "rural improvement" outlined in this publicity release, while impressive as a program on paper, are being greeted with considerable skepticism by those familiar with the present overall situation in China. These skeptics point out that every passing day brings developments that lessen the chances for even partial success of this program.

Nor are such doubts confined to people in China alone. That ECA officials in Washington themselves entertain grave misgivings about the possibility of success was made clear in an article in the *Shanghai Evening Post* of January 24, 1949 and attributed to Mr. Harlan Cleveland, ECA official in Washington. Mr. Cleveland wrote: ". . . But any aid program can have at best only a marginal effect on the situation within China. Military disintegration and political disaffection proceeded so rapidly during the second half of 1948 that perfect performance on the economic front could not have made a substantial difference in the outcome at Mukden or Hsuchow. And in spite of a reasonably successful start in the aid program, the overall economic front has been deteriorating more and more rapidly."

ECA's recent publicity release refers specifically to the Third Prefecture of Szechuen Province as the place where the Joint Commission's sweeping program will be launched. Yet it is difficult to see how this particular area can hope to escape the effects of the military disasters suffered by the Government armies and the rapid economic disintegration which will add to the burdens of the already impoverished 85 percent of the five million population there.

With less than six months remaining to complete ECA's China Aid Law, it is hard to see how such a grandiose, all-embracing program as that envisioned by the Joint Commission can do more than possibly scratch the surface. With inflation again getting into high gear, the problem of financing specific projects with a rapidly depreciating currency is truly staggering. A case in point was a recent shipment of GY dollars by plane from Shanghai to Chungking for use in the Third Prefecture project. Although the shipment arrived in relatively quick time, it had depreciated 50 percent en route. Likewise, the rice payment-in-kind collected by the Third Prefecture, to match the ECA payment, underwent a drastic change in price in a few days time. This is only one of many such problems.

Moreover, several well-known Chinese authorities on rural problems have been extremely critical of ECA on the grounds that its aims and objectives are definitely political, designed primarily, they allege, to preserve the status quo in China with American dollars. In this connection, Mr. Harlan Cleveland in his *Shanghai Evening Post* article had this

THE NATIONAL CITY BANK OF NEW YORK

THE NATIONAL CITY BANK
OF NEW YORK
ESTABLISHED 1812

SHANGHAI BRANCH: 41 KIUKIANG ROAD

TELEPHONE: 11500

to say: "Many people in the United States have felt that the Communists in China could not be opposed with military forces alone. . . It has long been clear that unless a real effort were made to meet the social problems of China, the upsurge of revolutionary forces would have too strong a justification to be denied."

Substitute the words *social change* for the word *Communists* in the first sentence of the foregoing, say these critics of ECA, and one can see that ECA is, in effect, attempting to deflect the growing demands for social betterment by introducing long-range "moderate" reforms which would not alter the fundamental relationship now existing between landowners and poor farmers.

Articles which have appeared in various Chinese periodicals have pointed out that news of the success of the land reform and rural reconstruction programs in the Communist areas has been filtering through to the areas south of the Yangtze and, as a result, the farm population is becoming more restive and impatient for economic betterment. Thus the Joint Commission may find it increasingly difficult to placate the farmers with such ambiguous slogans as "the comprehensive rather than the piecemeal approach."

Other writers have been particularly scornful of the role played by "Jimmy" Yen in the ECA program. Yen, these writers declare, has been trying unsuccessfully to put over his reformist rural reconstruction promotion (Mass Education Movement) since the early 1920's. Yen's critics agree that he has been far more effective in soliciting funds in the United States than he has been in building up an effective organization in China for the improvement of the conditions of the rural people. His critics claim he was originally non-partisan and non-political but jumped on the anti-Communist bandwagon when the moment seemed propitous.

With a considerable portion of its funds unspent, it is unlikely that the Joint Commission will suspend operations before June 30, although it would seem advisable to do so pending the advent of peace and the completion of the political change-over. The money thus saved might well be used for emergency feeding projects in the interim.

Qualified observers here are agreed that when a strong, democratic government is established in China it will be possible to undertake a coordinated, nation-wide program of land reform and rural reconstruction working entirely through the farm peoples' democratically operated organizations. Leadership can be drawn from the ranks of the farmers themselves rather than from the followers of the landed gentry, the district magistrates and the *pao changs*.

When that time arrives, no doubt American aid, with no strings attached, would be welcomed by the people. It will be interesting to see whether or not such aid will be forthcoming.

The Week's Business

THE bullish trend of the Shanghai market was temporarily checked during the past seven days under review because of various factors, including:

1) The decision of Mayor K. C. Wu to fix the ceiling price of rice at GY4,800 and his threat to arrest any rice merchant who refuses to sell at this ceiling price.

2) The resumption of activities of the local economic police, who made many arrests of black market operators in gold, silver and foreign currencies as well as in stocks and shares.

3) The rumor circulated on February 5 and 7 that the Nanking authorities have decided to lift the ban against free trading in gold, which stopped many operators from rushing blindly to buy the precious metals.

4) The decision of the local authorities to stop the export of cotton yarn to South China, which has stopped many people from buying yarn in the local market.

Probably the most important cause of the steady market during the past few days has been the fact that prices increased so much during the lunar New Year holidays that operators now prefer to keep on the sidelines for some time before they take any more action. Furthermore, the money market has become slightly tight, with the interest rate increased from GY30 to GY90 per day for a loan of GY1,000.

It is generally expected that the money market will become tighter during the next few days, since salaries and wages must be paid immediately following the weekend, and the cost of living index to be announced on February 15 will inevitably represent a substantial increase over that of January 31.

The drastic measures taken in Changsha and Hankow, where black-market operators were executed and a fixed rate was set for silver dollars, might also have had some effect on the Shanghai market. In Changsha, the official exchange rate for one silver coin has been fixed at GY650, which is considerably lower than Shanghai's open market rate of GY1,200.

This quiet market situation was generally regarded as the lull before another storm. Judging from the fact that large sums of Gold Yuan notes have been converted into *Jen Min Piao* in Tientsin and Peiping and that the authorities in North China will try to make use of them by absorbing commodities or gold bars, it is believed that the Shanghai area will soon be flooded with Gold Yuan notes from North China. It is also feared that the inflation will become more intensified owing to the fact that the Government in Nanking, as well as Government offices in Canton, needs money to meet its expenses and can collect few taxes under present conditions.

That inflation is going on very rapidly can be seen from the statistics compiled by the China Institute of Economics, which revealed that the wholesale cost of living index in Shanghai has increased by 777 times compared with 1937, and by 288 times during the five and a half months since the introduction of the Gold Yuan currency.

Among significant decisions made by the Nanking Government in economic fields during the past seven days is the announcement that the Shanghai Securities Exchange will be reopened on Februarv 21, so that stocks and shares of Chinese companies, as well as those of Government-owned enterprises such as the China Textile Industries, China Merchants Steam Navigation Company, the Taiwan Sugar Corporation and others, can be traded. So far, the stock brokers have shown very little interest in the re-opening of the Exchange as people do not know what the status of the big companies and factories will be once the Communists arrive.

Another decision of importance was the announcement that the Short Term Gold Bonds will be issued as from February 11. The first series of Gold Bonds to be floated will be worth 100,000 ounces of gold.

Despite the report that these bonds are backed up by gold, it is not expected that they will prove to be popular, especially in view of a report that large numbers of cases of valuables, presumably gold and foreign currencies, have been shipped away from Shanghai and that it took a special order of acting President Li Tsung-jen to stop further shipments.

Business conditions between Nationalist and Communist controlled areas remain the most important topic of discussion among businessmen. One late report says that three bags of wheat flour from Shanghai can be exchanged for one ton of Kailan coal and that negotiations of this barter system have been started in Tientsin.

Meanwhile, it is interesting to note that the s.s. Hunan of Butterfield and Swire has reached Tangku near Tientsin and that an American boat is scheduled to sail for Tientsin directly from America. The s.s. Great China also has left for Tientsin, bringing with her a number of representatives of Chinese shipping companies to discuss terms for the resumption of shipping service between Shanghai and Tientsin.

	Feb. 2	Feb. 16
	GY	GY
Gold	50,000	70,000
US Dollar	800	1,300
Clearance Certificate	460	920
Silver dollar	900	1,200
20's Yarn	120,000	225,000
Rice	4,000	6,500
Wing On Textile .	54,000	120,000

NEWS OF THE WEEK

Peace Missions Go To Peiping; KMT Split Over Canton Move

THERE has been surface quiet on the war and political fronts during the past week. The Communists have indicated their willingness to receive Shanghai's six-man non-partisan delegation headed by Dr. W. W. Yen. Press reports state that Communist pressure on the Yangtze has been perceptibly reduced, although authoritative Nationalist sources admit that scattered bands of Reds have already infiltrated south of the Yangtze.

In spite of the superficial lull, competent observers have spotted much behind-the-scenes maneuvering. It is generally felt that the present period of comparative tranquility merely marks a preparatory stage for big events ahead.

An eleven-man peace delegation from Nanking has already arrived in Peiping. Shanghai's delegation, headed by W. W. Yen, is expected to fly to the ancient capital shortly as General Yeh Chien-ying, director of the Communist military control committee for the Peiping area and concurrently Communist mayor of Peiping, has given his approval for the delegation to land. However, it is highly doubtful whether the two delegations will be able to accomplish much in the way of urging the Communists to start peace negotiations at an early date. In announcing their readiness to receive Dr. Yen's mission, the Communists made it clear that Mayor Yeh was ready to meet Dr. Yen and his colleagues if the latter were going to Peiping in their private capacity to see things and exchange views on State affairs. It was further explained that since the Communists were still busy with the necessary groundwork for peace negotiations, they were in no position to receive any peace delegates from any quarters at the present time.

To demonstrate that they meant business, the Reds openly told Nanking that they did not like to see Kan Chia-hou, political adviser to acting President Li Tsung-jen, accompany Dr. Yen to Peiping. They threatened to kick Kan out if he had the impudence to go to Peiping. The Reds, it would appear, have a very poor opinion of Kan, whom they called a "political broker." They said that people of Kan's sort are only qualified to sell their "cheap ware of peace made in USA" in Shanghai and Nanking, and cannot impose it upon the people in Peiping.

* * *

Secret Parleys

THE present lull in the various fronts on the Tientsin-Pukow and the lower valley of the Yangtze River has aroused much speculation. Some Chinese papers even reported that Red forces in certain districts in North Kiangsu had started withdrawing northward. This sudden let-up of Communist pressure on the Yangtze was attributed by these papers to "secret parleys." According to one story, General Li Ming-yang, veteran Nationalist army commander during the Sino-Japanese war, went to Huaiying to persuade the Communists to slow down their drive so as to make it easier for Nanking to seek peace. It was alleged that General Li spent Chinese New Year with President Li Tsung-jen in Nanking, and left on January 31 for north Kiangsu to contact the Reds. He was said to have made pre-arrangements with a Communist representative before setting off for the north bank of the Yangtze River via Chinkiang.

Being used to think of things in terms of "personal pull" and "private friendship," Government officials are attaching the greatest importance to General Li's mission to north Kiangsu. It is said that General Li is "on intimate terms" with General Chen Yi's New Fourth Army in North Kiangsu because, during the Sino-Japanese war, Li had fought hand in hand with them against the Japs. It is particularly stressed that "most of the staff and soldiers of the New Fourth Army are either his former subordinates or men enlisted under his command."

* * *

Canton Versus Nanking

DESPITE violent protests from various civic bodies and from the Control and Legislative Yuans, Premier Sun Fo insisted on moving his government to Canton, thus making Nationalist China look ridiculous. As Fred Hampson, Chief of *AP* China Bureau, put it, "Nationalist China is half a nation with two governments. One is a refugee government at South China's great industrial city, Canton. It is a government with a body but no head. The other is a hold-out government in Nanking and it is a government with a head but no body."

Meanwhile, Hampson wrote, "Chiang Kai-shek mediates in his palatial home near Fenghwa in Chekiang province. Both himself and his plans are as heavily guarded as the Fort Knox gold....It is beginning to appear that before Chiang went into his retirement he stacked the cards so adroitly against acting President Li Tsung-jen that peace deals were doomed before they were started....What Chiang means to do is anybody's guess. If he thought that by hobbling Li he would stir a public demand for his own return to power he has failed. This much is clear—there is no widespread demand for Chiang's return, and none developing. That does not mean he will not suddenly appear one day in Canton and head a fugitive government."

However, the prospects for such a venture are regarded by Hampson as anything but bright. He continued: "So if peace fails, don't get excited about Chiang's next defense circuit. Compared to the big river it is nothing but a bubble and if the Reds cross the Yangtze and head for Canton their time table will be controlled by their own logistic limitations rather than by what is left of Chiang's armies. The Canton venture is not apt to succeed. Already most Government departments have reached there. Already municipal and provincial authorities have let them know they are none too welcome. Chiang, who sallied north from Canton to unify China in 1927, would return a fallen champion. South China is not keen for a fallen champion who would make it a prime target for the conquering Reds. The Canton fugitive government probably will die abornin.' In a few weeks probably nobody will take it seriously."

* * *

Ready To Fight

THE moment Sun Fo arrived in Canton and felt safe away from "communist military pressure," he reiterated in forthright terms that his cabinet never agreed, and never will agree, to unconditional surrender and that Nationalist China would fight to the finish if the Chinese Communists would not consent to reasonable and equal terms.

Addressing over 100 Chinese and foreign correspondents at his first press conference in Canton, and incidentally the first since he assumed the premiership, Sun Fo said February 6 that if fighting should continue Shanghai and Nanking will be defended at any cost.

Sun Fo's reiteration of the Government's determination to continue fighting in South China to the bitter end unless the Reds come to terms with the Nationalists reminds us of a recent public statement issued by General Hsueh Yueh, new governor of Kwangtung. General Hsueh openly revealed his plan to fight the Reds with Kwangtung as his base. His statement is said to have caused considerable embarrassment in Nanking and the governor felt it necessary to make some corrections.

Present indications are that the Kuomintang is sharply divided on the question of peace. The rightists, knowing perfectly well that it is politically risky and ill-advised to come into the open against peace with the Communists, have changed their methods. Instead of opposing peace in general, they are trying to sabotage or undermine the peace movement by talking about seeking an over-all peace, by branding any attempt at a localized peace as playing into Communist hands, by making sentimental appeals to face and self-respect and by engaging in talk about seeking peace on the basis of "democracy," "equality," and "economic freedom." In a nutshell, they are simply stalling.

Another section of the Kuomintang, in view of the hopelessness of the situation, is convinced that it is utterly impossible to continue the fight any longer and that peace with the Reds is the only way out. This group thinks that only by political negotiations can the Kuomintang hope to be able to salvage what is now left. This is the reason why the overwhelming majority of the members of the Control Yuan and of the Legislative Yuan have voiced their bitter opposition to the removal of the Government to Canton and both Yuans have decided to meet again some time this month in Nanking.

It need hardly be said that, as the situation now stands, any rift inside in the Kuomintang is bound to weaken its bargaining power. It is generally believed certain that when the political and military offensives of the Chinese Communists become intensified in the near future, the split will become more sharp.

* * *

Peiping Under Red Rule

NEWS from Peiping is eagerly awaited now that the city is under Communist rule. What has happened there can give some clue as to what may be expected later in other parts of China. But reports are scanty these days. An *AP* story dated February 4 from Peiping threw some interesting sidelights on the life of the people and the behavior of Communist troops there.

"Economically," the story said, it is still too early to tell the Red impact....The Communists improved the livelihood of the students and professors of all the universities. All at Tsinghua, irrespective of their job or status, receive ample amounts of millet monthly. University professors additionally get 1200 Red dollars—about US$15—a month while workers get 200 Red dollars.

"The behavior of the Red troops is in contrast to the foot-loose, uncontrolled Nationalists. There is an estimated number of 30,000 Red troops in Peiping. But it would never be known as seen from the streets in contrast with the outgoing regime whose troops are seen everywhere. As far as I know, no Red troops have been billeted in private homes. When Red troops halt by the roadside, they slip off their packs and sit down, still keeping ranks, studiously avoiding causing trouble to passers-by...."

* * *

China And UN

THE fission of China into Communist and Nationalist camps, according to press reports, has become the United Nations' biggest headache since the fission of the atom. Many diplomats are wrestling with the problem, it is said. What happens if the Communists proclaim a government in China and Generalissimo Chiang Kai-shek's government holds on to its claim as the country's legal regime?

China, recognized at the insistence of the United States as one of the Big Five powers at San Francisco, holds a permanent seat on the Security Council—and a great power veto as well. She also sits permanently on the Trusteeship Council and is a member of the Economic and Social Council, not to mention a dozen smaller UN agencies.

It is pointed that if the Chinese Communists win complete control and the Nationalists capitulate, the solution would be simple, although doubtless distasteful to the Western powers. China's new Communist government would move into the security Council, giving Russia a second veto and a way to rest her own overworked veto. The Chinese Communists also would take over the present Government's role in the other councils of which China is a member.

The dilemma haunting the United Nations, however, grows out of the possibility that Chiang's government might hold out, perhaps as a semi-exiled regime on Taiwan, and thus present it with the tough job of deciding who represents China. Some officials feared that the issue would shiver the very foundations of the shaky world organization. The West, holding an overwhelming majority in the General Assembly and the rest of its agencies, would be able to vote down the claims of the Chinese Communists. But there were few who thought the solution would be as simple as that.

The choice between a Communist government that controlled virtually all China's 4,400,000 square miles and a hold-out nationalist government without power would be obvious were it not for the bitter division between Russia and the West. It will be another matter, however, if the issue materializes in the United Nations these days, it is said. The West would have a tough time convincing much of the world that the Nationalists should keep their seat.

It is generally agreed that the inevitable fight over the question of China's representation in the organization would have serious consequences.

* * *

Washington Cool

STALIN'S second informal invitation to President Truman for a meeting in Russia, Poland or Czechoslovakia according to the president's wish was declined. Washington was rather suspicious of Stalin's "sincerity".

Truman let it be understood that he would meet Stalin only in the United States and that the American Government would not discuss any world issues with Russia behind the back of the United Nations Organization.

Secretary of State Dean Acheson, commenting on Stalin's offer, charged the Russian leader was playing international politics with peace. Rejecting point by point Stalin's peace bid, he said that Stalin was plotting an international political maneuver. He said the interest of the world in peace is so fundamental that the matter cannot be tampered with and it cannot be an instrument in any international political maneuver.

Regarding the proposed meeting between Truman and Stalin, Acheson said flatly that he could see no use for Truman to travel halfway around the world to see Stalin.

In Moscow, diplomatic observers were of the opinion that Acheson's comment had disposed of the matter. A meeting between Truman and Stalin was regarded as more remote than ever.

Café Federal
CONFECTIONERY
RESTAURANT
TEA-ROOM
Specialty—CHESTNUT CAKE
Leading in the Field of Good Taste
1199 Nanking Road (W) Telephone 35171

Chinese Magazine Roundup

Chinese Newsweek

THE *Chinese Newsweek* of February 4 carries a highly interesting article about Generalissimo Chiang Kai-shek's plan for holding the various Nationalist-controlled provinces. The cornerstone of the plan, according to the magazine, is to divide the provinces into several virtually independent regional blocs, thus making it impossible for any one in Nanking to exercise central authority. These regional blocs, apparently working under a common plan, will mark time, waiting for the day when something can be done about staging a comeback.

The magazine discloses that after a series of important conferences held in Nanking with his trusted followers and army commanders on the eve of his departure from the capital in temporary retirement, Generalissimo Chiang Kai-shek made a series of momentous decisions and took many concrete steps, some of which have already been carried out in actual practice. Among them were: 1) To appoint violently anti-Communist General Chen Cheng, former chief of staff, and General Chiang Ching-kuo, eldest son of the Generalissimo, as governor and Kuomintang boss respectively in Taiwan; 2) To effect a drastic reshuffle in the local army commands by appointing General Chang Chun, General Chu Shao-liang and General Yu Han-mou to head the pacification bureaus at Chungking, Foochow and Canton; 3) To evacuate the various cities along the north bank of the Yangtze and to transfer the Nationalist garrison troops to Hangchow; 4) To strengthen the communications and economic cooperation between Taiwan and Japan; 5) To divert American supplies to Taiwan and to recruit a large number of educated youths to join the new armies and the tank corps now being trained in Taiwan; 6) To order General Tang En-po, Nationalist Commander-in-Chief for Nanking and Shanghai, to hang on as long as possible while important materials and supplies are being shipped from Shanghai southward.

Nationalist China, the magazine predicts, will be divided into the following regional blocs: "First, there is the Chekiang-Fukien-Taiwan bloc, including Shanghai and half of Kiangsi province. This is the base for preserving what is left. The headquarters are located at Fenghwa, with General Chen Cheng, General Tang En-po, General Chen Yi, General Chu Shao-liang and General Chiang Ching-kuo as commanders in the field. In this area, the Nationalist forces have 1,000,000 men, excluding the new armies now under training in Taiwan. So far as politics is concerned, Government leaders in this area are known to be closely related to Fenghwa. In addition, there are many ports in this area, which are capable of receiving foreign supplies.

"Second on the plan is the Szechuen-Sikang-Kweichow bloc. The reason why General Chang Chun was appointed director of the pacification bureau at Chungking is that he was sent there to do anything he thinks fit. Other leading figures in this area are General Liu Wen-hui, governor of Sikang, General Wang Lin-chi, governor of Szechuen, General Yang Shen, mayor of Chungking and General Ku Chen-lung, governor of Kweichow. Szechuen is known as the richest province in China and can easily be self-sufficient. Thanks to its support, the Chinese Government was able to sit through the war until final victory was won. . .

"Third is the Hunan-Kwangsi-Anhwei-Hupeh bloc, including part of Kiangsi province. This area is the artery of the Canton-Hankow railway, the heart of Central China. It is now the base of the Kwangsi and Hunan Cliques, headed by General Pai Chung-hsi and General Cheng Chien respectively. During recent years, neither the Kwangsi nor Hunan armies have done much fighting and they are both in fine shape. Now, taking advantage of the middle reaches of the Yangtze River, they are building up a fortress of their own. . .

"Fourth is the Kansu-Shensi bloc, where the situation is highly complicated. When General Hu Chung-nan went to Nanking to discuss the situation with Generalissimo Chiang Kai-shek, it was generally believed that the problem had been thoroughly studied. When the Political Consultative Conference met last in Chungking, the Chinese Communists had already demanded that the province of Shensi be marked out as their sphere of influence. Therefore, it is only to be expected that this time they will press their demand much harder than before. However, at least two-fifths of the Nationalist troops are now stationed in the Northwest. It is only natural that they should try to hang on one way or another. General Kuo Chi-chow, governor of Kansu is a tried and trusted subordinate of the Generalissimo and his splendid cooperation with General Hu Chung-nan is assured.

"Fifth is the northwest bloc of the generals of the Ma family. It is generally recognized that Ninghsia and Chinghai have been under complete control of the Ma family for years. Sinkiang, under the leadership of General Chang Chih-chung, is expected to do its bit.

"Sixth is the Kwangtung-Hainan bloc. General Hsueh Yueh and General Chang Fa-kwei, new governors of Kwangtung and of Hainan respectively, are natives of Kwangtung, and they are in a better position to straighten out difficulties."

• • •

Kwang Ming Pao

HAVE the Communists the necessary practical experience and trained personnel to run railways in their territory? The *Kwang Ming Pao* of January 16, 1949 has something very interesting to say in this connection.

"In North China, shortly after the liberation of Tsinan, railway communication between the Shantung capital and the outside world was restored," the magazine says. "On November 1, the East China Railway Administration was formally established and more than 4,200 railway workers started emergency repair work. As early as July of last year, the Yenchow-Taian section of the Tientsin-Pukow railway was re-opened to traffic. By the end of last October, the Tsinan-Yenchow section was extended southward to Tsaohsien. After the capture of Hsuchow, repair work was rushed from both north and south. Thanks to the hard work of the workers, the 720 kilometers of the railway between Tsinan and Hsuchow was opened to traffic on December 21, 1948. The work was completed half a month ahead of schedule.

"The repairing of the Yangtsun-Tehsien railway, which, with Kalgan the center, traverses the three provinces of Shansi, Hupei and Shantung, is indeed a great achievement in the reconstruction work of democratic China. The railway was first built by the Japanese and later on was entirely destroyed. After a period of one year, this railway was repaired and opened to traffic last December. The railway joins together the three north-south railway arteries of the Tientsin-Pukow, Peiping-Hankow and Tung-Pu lines.

"The Railway Construction Committee for the western section of the Kiaochow-Tsinan Railway was established on October 17. It is now busily repairing the section east of Tsinan to Weihsien, about 350 kilometers long.

"The Peitaiho-Mukden section of the Peiping-Mukden railway was opened to traffic last December 5. On the Peiping-Tientsin line, the section from Fengtai to Yangtsun is now serviceable. Traffic also was resumed on the section from Lwanhsien through Tangshan to Hanku, which is more than 100 kilometers long, in the middle of last December.

"On the Peiping - Hankow line, New Year's Day witnessed the resumption of traffic between Peiping and Fengtai and Juohsien.

"On the Peiping-Kweisui railway, regular trains are running between Kalgan and Tsinghua Garden in the suburbs of Peiping."

US Magazine Roundup

New York Times Magazine

HAROLD Callender, writing in the *New York Times Magazine* for January 23, 1949, warns Americans against expecting too much from the Marshall Plan, saying it may be able to rebuild the continent of Europe, but cannot be expected to produce a United States of Europe.

Callender quotes the leading Paris newspaper, *Le Monde*, as saying that the United States was in a greater hurry to build and unite Europe than Europeans were, and declares this attitude has disturbed some people in the European branches of the Marshall Plan and those in the United States who have been eager for quick results.

"The recent interim report of the experts of the Marshall Plan countries," he writes, "says nothing about European unity or 'integration,' a word sometimes used by American officials. It even indicates uncertainty that Europe will fully recover by the end of the Marshall Plan in the sense of paying its way by its exports and services to the outside world, as the goal of recovery is defined."

The article then explores the question of how far Europe may be expected to go in terms of recovery and unity. It points out while the purpose of the Plan was political, the means were economic, and closely linked with the political purpose was a military purpose—"the encouragement of Western Europe to become able to defend itself."

Callender says these two purposes were not altogether compatible, since a major rearmament program either in the United States or Europe would set back the recovery program by diverting raw materials and manpower from it.

Experts from the various Marshall Plan nations, the article continues, have declared that "Marshall Plan nations, acting together, must seek new sources of supply outside the dollar area, export more to the Western Hemisphere by cutting their prices to enable them to compete with Americans, economize on costly imports." Unless this is done, the article adds, they warn that there will still be a dollar deficit not far from $3,000,000,000 in 1952, and the recovery goal would take closer to 10 years than the four covered by the Plan.

Whether or not the benefitting nations can reduce their deficit in the allotted time, Callender says, depends on far greater cooperation between the participating nations than there has been; much greater discipline than they have accepted; if there is no huge rearmament program to frustrate recovery; if the US economy remains as productive as today; if there is a substantial amount of trade with the Russian satellites; and if Southeastern Asia does not fall into conflict and chaos, depriving Europe of dollar-earning raw materials.

"Those who expect too much of the Marshall Plan," the author concludes, "may underrate its solid achievements. These achievements are mostly still to come. But the way has been shown by the work of the experts in Paris, who have provided the realistic clarity which until now European Governments and some United States senators alike have lacked."

WINNOWING

By Koo Yuen.

The Nation

SYDNEY J. Neal has an interesting article in the December 4, 1948 issue of the *Nation* on the subject of "Oil Profits and ERP." Mr. Neal, who made an extensive study of the oil industry for a research thesis at the University of Chicago, writes:

"Within the next few years, according to present plans, Middle Eastern oil products costing more than two billion dollars will be purchased by or for countries participating in the European Recovery Program. Under the present world-pricing system for oil, close to half that amount will be raked in as profit by American, British and Dutch oil companies....

"The Economic Cooperation Administration is the middleman in this setup. The ECA has been buying Middle Eastern oil for Europe at an average price of over $2.65 a barrel. But the cost of producing this oil, including royalties and depreciation charges, is less than 50 cents a barrel. Thus the oil companies are making a profit of more than $2 on every barrel of oil purchased by the ECA at Persian Gulf ports for delivery to Europe....

"During the past 25 years the world price for oil has been based upon prices prevailing at United States Gulf Coast ports. This made some economic sense when most of the oil moving in world trade was shipped out of those ports. Since the end of World War II, however, the United States has imported more oil than it has exported, and thus there is no longer any economic justification for this pricing system. It simply enables companies which produce oil more cheaply in foreign countries to obtain greater profits. Eight oil companies have obtained control of the vast oil resources of the Middle East and are developing them very efficiently."

The article goes on to say that on June 27, 1948 Senator Joseph C. O'Mahoney of Wyoming sent a telegram to Eugene Holman, president of Standard Oil (New Jersey) charging that under the present world system of pricing there was no competition among any of the companies, foreign or domestic, producing oil in the Middle East. In the four countries producing oil—Iran, Iraq, Kuwait, and Saudi Arabia—a single company has a monopoly of the oil concessions, and the four concession-holding companies are owned by eight oil companies, four of which have interests in more than one country.

"In the face of these facts," the article continues, "Mr. Holman told Senator O'Mahoney that to his knowledge there was no uniform pricing system for petroleum, and that Standard of New Jersey's prices were established independently and reflected competitive world-wide market conditions. He admitted, however, that Standard of New Jersey was offering crude-oil products for sale to ERP countries at prices generally based on Gulf Coast prices plus freight charges from the actual loading point. The oil companies maintain that prices have been kept on that basis in order to 'meet competition.'"

The article points out, however, that the rules which would operate in a free-market economy do not apply to the international petroleum industry, since no potential competitor can develop the rich oil resources of the Middle East without the permission of the eight oil companies which now control them. "The reasonableness of profits under such conditions," it says, "will always be determined by the oil companies concerned."

With regard to the question of "how dependent the ERP is on Middle Eastern oil, the article recalls that a committee of the House of Representatives stated that the Preservation of existing facilities and the carrying out of the large expansion now contemplated in the Middle East were necessary for meeting the requirements of the ERP program. The State Department, it says, also informed the committee that it had "not developed any alternative plan" for supplying the requirements of the participating countries in the ERP should Middle East oil not be available in the amount necessary to meet reduced requirements.

What Chinese Papers Say

THE recent sky-rocketing of commodity prices has caused widespread alarm and concern. Many Chinese papers warned that the situation may get out of control unless something is done about it in time. Marshal Stalin's peace gesture was viewed with suspicion.

* * *

Commodity Prices

THE Kuomintang-controlled *Shun Pao* was of the opinion that the recent alarming soaring of commodity prices was due to the following causes:

"The first cause is the uncertainty of the general situation. Since communications between the North and the South have been disrupted, the country's economic disintegration has become still worse. The Gold Yuan notes in the North have passed into the hands of the Communists and, through the medium of private merchants, these notes have been dumped on the markets in the South, so that the Shanghai markets have been flooded with idle funds all at once. As the Government is preparing to move to Canton, the personnel of the various ministries in the Capital are assembled in Shanghai. The idle funds in Nanking have thus also been transferred to this city. At the same time, the provinces of Kwangtung and Hunan are talking of issuing local provincial currencies, so that the people of Shanghai, who have always attached greater value to goods than currency notes, have all the more lost their confidence in the Gold Yuan. Speaking of Shanghai itself, as war or peace cannot be predicted by any one, so general unrest prevails, which has also greatly affected the financial markets.

"The second cause has been the great increase in the issue of the Gold Yuan. Up to the present, the actual total amount of Gold Yuan issue is not known to anybody. But judging by common sense, the amount must be considerable. Apart from other matters, the big increase in the military and administrative expenditures during the lunar New Year season alone has produced serious effects. At the same time, the area of circulation of the Gold Yuan has shrunk. As Gold Yuan is no longer circulated in the Peiping-Tientsin area the notes there are fast travelling to the south, and Shanghai has become the haven of capital in flight. In the circumstances, how can commodity prices be stopped from soaring?

"The third cause is the failure on the part of the Government to apply any counter-measures to cope with the idle capital situation. The authorities had expected the soaring of prices after the lunar New Year, and had announced that the money market would be tightened through the sale of supplies. At the time, there was caution on the part of various business quarters, and the first prices quoted after the festive holidays were not exceptionally high. But toward noon yesterday, there was no indication that the Government was dumping any supplies on the markets, and prices immediately registered a new high."

The paper concluded with a warning: "We wish to inform the authorities that if commodity prices are allowed to continue soaring, the people will suffer too greatly, and they will not be able to live on. If the Government is anxious to win public support, it should immediately exert its utmost efforts to force down the prices. Otherwise, such an inefficient government will not only be unable to carry out its plans for the defense of the Yangtze, but its sheepish efforts for peace will also not be respected by the other party. The result can only be self-ruination."

* * *

Stalin's Gesture

STALIN'S offer to meet Truman in order to discuss the issuance of a joint US-USSR statement outlawing war was viewed by the Kuomintang organ *Tung Nan Jih Pao* as part of a Soviet peace offensive.

The paper wrote among other things: "Premier Josef Stalin has expressed his willingness to issue, jointly with the United States, a statement to outlaw war. This is a new peace offensive launched by the Soviet Union against the Western nations since the beginning of this year. At the same time, the Soviet Union also undertook two other measures. The first is the issue of a White Paper charging the Atlantic Alliance with 'aggressive designs' on Russia. The second is the application of pressure on Norway, demanding the latter to explain her attitude on the Atlantic Alliance. All these acts are part of the whole offensive, pointedly directed towards the anti-Soviet policy pursued by the Western Bloc under the leadership of the United States. It is truly a strong offensive."

Analyzing the reason why the Kremlin has started this peace offensive, the paper continued:

"The greatest development in the international situation since the beginning of 1949 has been President Truman's presentation to the US Congress of a colossal plan for war preparedness and foreign aid. In undertaking preparations for war, the United States harbors the hope that armament orders will thus be restored so as to allay her present extremely serious economic difficulties; but at the same time she is also hoping to make the Western European nations and other nations of the Western Bloc markets for the products of her war industry. This war-preparedness carried out on a world-wide scale is naturally not undertaken with the objective of preventing war, and doubtless the Soviet Union serves as the hypothetical enemy in this plan of the United States. We can realize from this that, as the United States is proceeding so vigorously with the plans, the cold war between the East and the West will necessary be intensified during the year, and the international situation will become tenser.

"In these circumstances, it is necessary for the Soviet Union to deal a blow to the war preparation plans of the Western nations. From the beginning, in her cold war with the Western countries, the Soviet Union has been employing the tactics of capturing the chief first in a fight with the brigands. She has always directed her moves against the United States, using both force and persuasion in attempts to reach an agreement with the latter. At the same time, in dealing with the Western Bloc led by the United States, particularly the Western European countries now plunged into political and economic chaos, the Soviet Union has been employing the tactics of divide and rule so that the United States may become isolated. The present peace offensive is still a part of the Soviet tactics as a whole."

However, the paper was rather skeptical about the result, if any, of the Soviet peace gesture, saying: "It is doubtful if the present Soviet peace offensive will receive much response from the United States and other Western nations. Even if the countries of Northern Europe will be prevented from participating in the North Atlantic Alliance, the successful formation of this Alliance is still assured. But in spite of this, the status of the Soviet Union will continue to grow stronger every day. And the situation in China and that in West Europe will also give the Western nations cause for anxiety."

* * *

The People

THE Catholic organ *Yi Shih Pao* did much abstract talk about the importance of serving the people. It argued that the worst political failure of the Kuomintang is the party's criminal neglect of the people and its maltreatment of the people.

The paper warned that the Kuomintang must change its policy into one of serving the people if it hopes to survive the present crisis.

"The Government must engage the Chinese Communists in a political race if it is to remain on its feet. For example, the bureaucrats and super-powerful classes are hated by the people. The feudalistic cliques are impeding progress. Why is it that no concrete action has yet been taken to improve the situation?" the paper asked.

What US Papers Say

SOVIET Premier Stalin's interview with the *International News Service* received wide editorial attention in the American press. Papers continued to frown on the Chinese Communist "war criminal" list.

* * *

Nothing New

THE *Washington Star*, discussing Stalin's statements, felt an attempt should be made to find out whether he really meant what he said. The paper declared:

"There is a familiar ring to Prime Minister Stalin's latest remarks about Russia's desire for peace and cooperation with the United States in particular and with the rest of the world in general....

"Yet it would be a serious mistake arbitrarily to dismiss the gesture as being nothing more than just another exercise in the Kremlin's art of confusion-breeding propaganda. To be sure, the general nature of the Soviet Union's actions since the close of the war, its devious ends-justify-means philosophy, and the fact that Mr. Stalin's relatively soft words (followed) immediately after a sharp Moscow attack on the projected North Atlantic security pact and the implicit warning to Norway not to join this pact, all combine to make suspicion sensible. Nevertheless, that reservation to one side, it would be foolish of the US to discount completely the possibility that the Russians may be genuinely anxious for a peaceful settlement.

"After all, it is at least conceivable that the Kremlin is finding itself on the losing end of the struggle. There is evidence, for example, that the Soviet satellites, wholly apart from openly rebellious Yugoslavia, are resentful of the economic prices they must pay for obeying Moscow's orders to boycott the Marshall Plan for European recovery—a situation that could develop into a real Russian headache. . . .

"In some quarters—understandably enough—there is a frame of mind that considers the Soviet Union to be incapable of acting in good faith. On the basis of past experience, there is more than a little reason for that viewpoint, but it should not be allowed to make the governments of the free Western world adopt a stiff-necked or stubbornly unreceptive attitude toward any and every gesture of the sort just made by Mr. Stalin. All possibilities of a peaceful settlement need to be explored, and in this instance the exploring can be done without bypassing the United Nations, undermining such projects as the Marshall Plan and the North Atlantic security pact, or leading to an appeasement deal between Russia and the United States.

"Certainly, sooner or later, we and like-minded nations must either reach an understanding with the Soviet Union or resign ourselves to the virtual certainty of an eventual war. In the circumstances, we cannot afford to slam the door on the Russians; we can no more afford it than they can afford to keep on speaking peaceful words while committing hostile acts. In all sanity, if catastrophe is to be averted, our divided world must pull itself together one of these days with an enduring settlement. To that end, no harm will be done if a diplomatic effort is made to find out whether Mr. Stalin is really anxious to cooperate or whether he is just pasting away again at the propaganda drum."

The *New York Times* said: "Like all of Mr. Stalin's statements, this latest declaration is bound to arouse international interest as well as speculation as to its timing and purport. It is possible that in view of Western firmness, Mr. Stalin is really seeking a modus vivendi on at least some of the outstanding problems in line with the Communist doctrine that World Revolution is subject to ebb and flow and that therefore Soviet policy must pursue a zigzag course of alternate advance and retreat. Soviet consent to new peace negotiations on Austria and the new Soviet proposal for settling the Berlin question submitted to a 'neutral' committee of the United Nations may be straws in the wind blowing in this direction.

"Certainly, there's every reason to explore any possibilities for even partial settlements that Mr. Stalin's declaration may contain. But this declaration must be viewed in the light of actual performance of Soviet policy. The Soviets are still promoting directly or indirectly civil war in Greece and China. They are still dividing Europe by the iron curtain behind which they are sovietizing, exploiting and rearming all Eastern and Central Europe, including Eastern Germany, in violation of their wartime agreements and of peace treaties already signed. They are still waging war against the European Recovery Program and every Western move toward self-defense, with open pressure on Scandinavia as the latest example of this effort.

"In the face of this record, the only answer that the West can safely give to Mr. Stalin is still the maxim that deeds are more eloquent than words and that only when Soviet deeds begin to match Soviet words can the West afford to put faith in the latter. A firm and honorable settlement has always been the goal of Western policy."

* * *

Clean Hands

THE *Christian Science Monitor* felt the US could criticize the Chinese Communist war criminal list with better grace if America itself had kept its own record with regard to war crimmals more spotless. The paper said:

FLEEING REFUGEES

By Li Hua.

"The non-Communist world is properly and justly outraged at the listing of Chiang Kai-shek and other Nationalist leaders as war criminals by the Chinese Reds.

"Whatever the faults of the Generalissimo in setting his will against the people's, he is palpably a patriot. However much the Communist charge may be a propaganda device and bargaining point—a ferocious bark is not likely to be followed by a very big bite—it is not pleasant to remember the fate of opposition leaders in countries where Communist power has been finally consolidated.

"Yet the Western world cannot stop with mere self-righteousness. The war crimes trials launched on such a lofty level at Nuremberg have not always stayed on that level. Suspicions of political motivation have attached to some of the subsequent decisions, and the slightest indication of political or national interest as influencing a judgment (either toward condemnation or exculpation) would reduce it to the immoral level of a conqueror's 'justice.'

"Very recently it has been revealed that Emperor Hirohito escaped prosecution as a war criminal solely on orders from the United States joint chiefs of staff. Though evidence throughout the trials in Tokyo led repeatedly to the Son of Heaven, who had meekly lent his name and prestige to the war lords' designs, the American prosecutor seemed even more anxious than Japanese witnesses to exclude him from any responsibility.

"This fact is well known throughout the Far East, though not in the United States. Americans may now learn to their discomfiture that their censure of the Red-handed victors in China would have more force if they themselves came with completely clean hands from their victory in Japan."

The Review's English Lesson—LXX

WE shall begin this week's Lesson by replying to more of Mr. A. L. Chen's questions. He asks for information on how to pronounce the letters in the Wade system of Romanization; for lack of space, we regret we cannot go into this subject, and refer Mr. Chen and other interested readers to any of the standard Chinese texts.

Move and **remove:** Both of these words mean to change the place or position of something, in their usual sense; "move" generally means to adjust some object, or to go along, as an automobile, machine, etc; while "remove" generally is used in the sense of taking *away* some object or material. To change one's residence, and take furniture to the new place, is in the US "to move", while "remove" is used in Britain. "Movement" is the act of moving.

Committee and **commission:** In the most closely related meanings of these two words, both denote one or a group of men who are delegated or empowered to perform some task or duty; the latter is the more formal term, and is usually applied to government or other official groups. However, "commission" also means the warrant or authority, usually formal and written, granting certain powers and authorizing the performance of certain acts.

Relations and **relationships:** The former means the act of telling (a story), a person of the same family, connection, reference; the latter means the **state** of being related. For example, "He has many relations living in Shanghai, but the family relationships are very complicated."

Foods and **foodstuffs:** The two words have the same meaning, namely nutritive substances. The difference is one of usage: of a starving person, one would not say that he needed foodstuffs. The latter term is used in a general sense, as, "England exports machinery and imports foodstuffs."

Have you? and **Do you have?:** To which might be added, "Have you got?", all with the same meaning. The first is preferable, as being more simple and direct; the second is a little too affected; and the third, although much used, is not considered good, owing perhaps to the ugly and unnecessary "got" at the end. Nevertheless, in phrases such as, "I've got a book," the "got" is useful to separate "I've a", which doesn't sound well.

Electric torch and **flashlight:** Same meaning; the first is British, and the second, American usage.

And now to the questions: This is simply a shorter way of saying, "(And) now let us get on to the questions", or "proceed to a consideration of", etc.

Gambit: A chess term, sometimes "opening gambit." Strictly, a gambit is an opening move in a game of chess, in which a player sacrifices a pawn or another piece for a positional advantage. By extension, then, any special plan, method or type of introduction to a conversation, letter, etc.

Crystal ball: A globe of clear crystal, often used in the West by fortune tellers, who are supposed to be able to see past, future or distant scenes therein at will, and thus satisfy the customer's demands. So, used as in "The agency, even provided with a crystal ball, could not have said. . ." the phrase suggests the impossibility of the agency's foreknowledge, even with magical powers.

Pandybat: The word occurs in James Joyce's "Portrait of the Artist," and means the switch or cane used to flog schoolboys. In "Pootung Pandybat", the word was chosen at random for the sake of alliteration to make up the title of an imaginary publication.

Perpetrate: Strictly, this verb means to do or perform, also to commit, as an unlawful or offensive action. However, it has come to connote the latter more and more. As used in "perpetrating silent letters in the written word," as appears from the context, the author means to express his condemnation of this practice; he thinks it is wrong and foolish to continue spelling words with silent letters. However, "perpetuating", although not expressing such strong condemnation, does express the giving of an enduring character or existence to the silent letters. Again, from the context, one gathers that the author is against this habit.

Running record: A writing down of events as they occur, to preserve their elements and significance for the future. For example, a personal diary might be said to be a running record of one's daily life.

Punch line: In funny stories (or stories alleged to be humorous), the last line (or phrase, or single word), which produces the laughter. The preliminary to the "punch line" is called the "build-up".

Regarding: Never followed by "to"; one says, for example, "Regarding those books I lent you...."

MR. Tai Tung San has kindly written in again about some words of which we confessed ourselves ignorant. For the record, "Craesuses" should have been "Croesuses": Croesus was a legendary king, fabulously rich; hence, used to refer to anyone similarly favored (here, plural). "Bon sens" as used, was intended to mean simply, "good sense." And "mouvementeo" should have been "mouvementee", used in "life in Shanghai is just as mouvementee as it is in Paris...." Meaning: animated, lively. Mr. Tai is puzzled by the word **flapdoodle**, used in "Communist flapdoodle about bureaucratic capital." The meaning is "talk for fools, nonsense" (see Webster's Collegiate Dictionary).

A. P. Pattison & Co.

FEDERAL INCORPORATED U.S.A.

SHANGHAI

China **Hongkong**
Japan **Korea**

MERCHANTS & STEAMSHIP AGENTS

BRANCH OFFICES:

9 Chung Shan Road E 2
(Quai De France)
SHANGHAI

Chartered Bank Building
Queen's Road
HONGKONG

Tokyo Hotel Building
P. O. Box 482
TOKYO

3 Nichome Nakaka-Ko
P. O. Box 103
YOKOHAMA

Toho Navigation Bldg.
KOBE

97 3rd Kah Namdaimoon-Ro
P. O. BOX 83
SEOUL

3 Chien Chang St.
P. O. BOX 36
TAIPEH

15 Kong Tong St.
P. O. BOX 62
KEELUNG

Cable Address: **"PATTISON" at all Ports**

General Agents for Far East for:

ISBRANDTSEN LINES OF NEW YORK

Regular Express Steamer And First Class Passenger Service To The U.S. And Europe

Everywhere CALTEX

High Quality

Aviation Gasoline and Aviation Lubricants, Motor Gasoline, Kerosene, Diesel Oils, Lubricating Oils and Greases, and other Petroleum Products for all purposes.

The Texas Company (China) Ltd.
110 Chung Cheng Road (E)
Shanghai, China

Printed by THE MERCURY PRESS